

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Economic Growth Business Incubator

We have audited the accompanying financial statements of Economic Growth Business Incubator (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Growth Business Incubator as of December 31, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson, Scott + Associates, P.C.

Austin, Texas

July 27, 2021

**Economic Growth Business Incubator
Statements of Financial Position
As of December 31, 2020 and 2019**

A S S E T S

	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 275,338	\$ 136,191
Accounts receivable - less allowance for doubtful receivables of \$2,500	22,662	12,436
Total current assets	\$ 298,000	\$ 148,627
 FIXED ASSETS:		
Technology equipment and software	\$ 3,816	\$ 3,816
Accumulated depreciation and amortization	(827)	(64)
Total fixed assets	\$ 2,989	\$ 3,752
 Total assets	 \$ 300,989	 \$ 152,379

N E T A S S E T S

CURRENT LIABILITIES:		
Payroll liabilities	\$ 1,485	\$ 1,640
Note payable	56,005	0
Total current liabilities	\$ 57,490	\$ 1,640
 NET ASSETS:		
Without donor restrictions	\$ 243,499	\$ 150,739
Total liabilities and net assets	\$ 300,989	\$ 152,379

See accompanying notes and auditor's report.

Economic Growth Business Incubator
Statements of Activities
For the year ended December 31, 2020 and 2019

	2020	2019
REVENUES:		
Contributions	\$ 7,025	\$ 5,940
Donated facilities and supplies	35,682	36,729
Grants	309,110	197,230
Fundraiser	73,821	66,243
Training and coaching fees	35,063	11,076
Incubator rental income	6,061	10,767
Back office services and fees	36,052	153,612
Miscellaneous	15,085	110
Total revenues	\$ 517,899	\$ 481,707
EXPENSES:		
Program services	\$ 354,828	\$ 414,191
Administrative services		
Management and general	51,650	42,493
Fundraising	18,661	12,247
Total expenses	\$ 425,139	\$ 468,931
CHANGE IN NET ASSETS	\$ 92,760	\$ 12,776
Net assets, beginning	\$ 150,739	\$ 137,963
NET ASSETS, ending	\$ 243,499	\$ 150,739

See accompanying notes and auditor's report.

**Economic Growth Business Incubator
Statements of Cash Flows
For the years ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 92,760	\$ 12,776
Adjustments to reconcile change in net assets to net cash provided by/(used by) operating activities:		
Depreciation	763	64
(Increase)/decrease in operating assets		
Accounts receivable	(10,226)	14,422
Increase/(decrease) in operating liabilities		
Accounts payable	<u>(155)</u>	<u>1,640</u>
Net cash provided by/(used by) operating activities	83,142	28,902
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(3,816)</u>
Net cash provided by/(used by) investing activities	-	(3,816)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	<u>56,005</u>	<u>0</u>
Net cash provided by/(used by) financing activities	56,005	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	139,147	25,086
CASH AND CASH EQUIVALENTS, beginning of year	136,191	111,105
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 275,338</u>	<u>\$ 136,191</u>

See accompanying notes and auditor's report.

**Economic Groth Business Incubator
Statement of Functional Expenses
For the year ended December 31, 2020**

	Program Services	Administrative	Total
EXPENSES:			
Dues & subscriptions	\$ 750	\$ 0	\$ 750
Fundraising	0	18,661	18,661
Insurance	3,628	640	4,268
Marketing	208	52	260
Meetings	366	92	458
Miscellaneous expense	871	363	1,234
Office expenses	6,939	2,449	9,388
Professional fees	12,912	5,534	18,446
Program expenses	21,334	153	21,487
Rent	27,840	6,960	34,800
Salaries and benefits	279,980	34,172	314,152
Training	0	1,235	1,235
	\$ 354,828	\$ 70,311	\$ 425,139
TOTAL EXPENSES	\$ 354,828	\$ 70,311	\$ 425,139

See accompanying notes and auditor's report.

**Economic Groth Business Incubator
Statement of Functional Expenses
For the year ended December 31, 2019**

	<u>Program Services</u>	<u>Administrative</u>	<u>Total</u>
EXPENSES:			
Dues & subscriptions	\$ 738	\$ 0	\$ 738
Fundraising	0	12,247	12,247
Insurance	3,271	577	3,848
Marketing	2,319	580	2,899
Meetings	1,544	386	1,930
Miscellaneous expense	7,696	405	8,101
Office expenses	5,091	1,865	6,956
Professional fees	9,170	3,930	13,100
Back office expenses	106,455	0	106,455
Rent	27,840	6,960	34,800
Salaries and benefits	249,534	27,726	277,260
Training	25	0	25
Travel	508	0	508
Depreciation	0	64	64
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 414,191</u>	<u>\$ 54,740</u>	<u>\$ 468,931</u>

See accompanying notes and auditor's report.

ECONOMIC GROWTH BUSINESS INCUBATOR

Notes to Financial Statements

Organization and Purpose:

Economic Growth Business Incubator (EGBI) is a non-profit organization that provides training, coaching, and support to aspiring and existing business owners who face barriers to growing a successful business. The organization is supported primarily through grants and contributions. Approximately 19% of the organization's support in the current year came from the Housing Authority of the City of Austin.

EGBI is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation. The organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. EGBI reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. Currently, all the organization's net assets are without donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purchase restrictions.

The Organization receives revenue from both contributions and provision of services. Currently, all revenue is without donor restriction. Expenses are reported as decreases in net assets without donor restrictions.

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets

ECONOMIC GROWTH BUSINESS INCUBATOR

Notes to Financial Statements

without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

The Organization has adopted Accounting Standards Update (“ASU”) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605), as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

Service revenue is recorded when the service is provided. Admission revenue for the annual fundraiser is recorded when the event takes place. Educational program fees are recorded as revenue on the date the program occurs. If any of these service revenue categories are received in advance are classified as deferred program revenue.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

EGBI capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful life of the assets, which was 5 years for the technology equipment and ranged from 2 to 3 years for software. During the prior year, EGBI purchased computer equipment for \$3,816. The current year depreciation expense is \$763.

EGBI’s policy for determining when an account is past due or delinquent is when the account is over 90 days or more past due. Allowances for doubtful accounts are established based on prior

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Notes to Financial Statements

collection experience and current economic factors, which could influence the ability of account receivable recipients to repay the amounts per the invoice terms. In the prior year, the organization deemed it necessary to establish a reserve for doubtful accounts. For the current year, the allowance account remained \$2,500 and additional current year bad debt expense is \$932.

EGBI receives donated services from a variety of unpaid volunteers assisting the organization in carrying out its activities. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been met.

Donated Facilities:

The organization received the use of office space at no charge from the Housing Authority of the City of Austin. This space is approximately 2,500 square feet. The estimated fair value of the use of this facility has been included in these financial statements. The value for rent plus utilities has been estimated at a total of \$34,800 per year.

Functional Expenses:

Expenses are charged to each program based on direct expenses incurred. Any expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

For the current year, management has determined the accurate allocation of expenses should approximate 83% program expenses and 17% administrative expenses. A summary of expense by category is shown below:

	<u>2020</u>	<u>2019</u>
Expenses:		
General and Administrative	\$ 70,311	\$ 54,740
Education/Program	\$ 354,828	\$ 414,191
Total expenses	<u>\$ 425,139</u>	<u>\$ 468,931</u>

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Significant Estimates & Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Major Customers

For the year ended December 31, 2020, transactions with the Housing Authority of the City of Austin accounted for approximately 19% of the organization's total revenue. In the prior year, transactions with the Housing Authority of the City of Austin accounted for approximately 24% of the organization's total revenue.

Employee Benefit Plans

During the prior year, EGBI established a Savings Incentive Match Plan for Employee retirement plan, also known as a SIMPLE IRA plan, in which substantially all employees may participate. EGBI matches employee contributions either based on a set amount or on a percentage of salary contributed by participants up to a maximum of 3 percent. Employee contributions are 100% vested immediately. EGBI's expense for the plan in the current year was \$6,791 for the current year.

Liquidity

EGBI's financial assets at the end of the current year consist of cash and cash equivalents of \$275,338. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditure. Therefore, the entire amount, (\$275,338) is available to support general expenditures for the coming year. The total financial assets total approximately 65% of total current year expenses, so EGBI has the ability to conduct its activities at a similar level for the coming year even if revenues decline.

Note Payable

In April 2020, the Organization was granted a loan in the amount of \$56,005, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the CARES Act. The loan matures in April of 2022, and bears an interest rate of 1.0% per annum, payable monthly commencing in November, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act. While management believes that its use of the loan proceeds will meet the conditions of

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forgiveness for the loan, management cannot provide absolute assurance the loan will be eligible for forgiveness, in whole or in part. As of the date of the report, management is in the process of requesting forgiveness and therefore has reported the balance as a current liability. The loan was forgiven March 24, 2021.

COVID-19

In 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Organization, COVID-19 may continue to impact various parts of its 2021 operations and financial results including but not limited to reduced funding, additional demands for its services, costs for emergency preparedness, and potential shortage of personnel. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Subsequent Events:

The Organization has evaluated subsequent events through July 27, 2021, the date which the financial statements were available to be issued.