

ECONOMIC GROWTH BUSINESS INCUBATOR
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Economic Growth Business Incubator
Austin, Texas

Opinion

We have audited the accompanying financial statements of Economic Growth Business Incubator (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Economic Growth Business Incubator and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Growth Business Incubator's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Economic Growth Business Incubator's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Growth Business Incubator's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Allman & Associates, Inc.

Austin, Texas
June 14, 2024

ECONOMIC GROWTH BUSINESS INCUBATOR
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 295,805
Accounts receivable	32,787
Grants receivable, current portion, net of \$2,500 allowance for uncollectible grants	117,500
Prepaid expenses	<u>1,284</u>
Total Current Assets	447,376
Grants receivable, net of current portion	15,000
Property and equipment, net	<u>2,290</u>
Total Assets	<u>\$ 464,666</u>

Liabilities and Net Assets

Current Liabilities:

Accrued payroll liabilities	<u>\$ 7,184</u>
Total Current Liabilities	<u>7,184</u>
Total Liabilities	<u>7,184</u>

Net Assets:

Without donor restrictions	
Undesignated	<u>278,082</u>
Total net assets without donor restrictions	278,082
With donor restrictions	
Purpose restrictions	144,400
Time restrictions	<u>35,000</u>
Total net assets with donor restrictions	179,400
Total Net Assets	<u>457,482</u>
Total Liabilities and Net Assets	<u>\$ 464,666</u>

See accompanying auditors' report and notes to financial statements

ECONOMIC GROWTH BUSINESS INCUBATOR
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 8,503	\$ -	\$ 8,503
Donated facilities and supplies	36,377	-	36,377
Grants	146,638	179,400	326,038
Fundraiser	38,154	-	38,154
Training and coaching income	136,407	-	136,407
Incubator rental income	1,675	-	1,675
Back office services and fees	53,702	-	53,702
Miscellaneous	4,921	-	4,921
Total Support and Revenue	<u>426,377</u>	<u>179,400</u>	<u>605,777</u>
Expenses			
Program services			
Training	297,128	-	297,128
Incubator	38,959	-	38,959
Back office	94,184	-	94,184
Total program services	<u>430,271</u>	<u>-</u>	<u>430,271</u>
Supporting services:			
General and administrative	60,395	-	60,395
Fundraising	31,668	-	31,668
Total supporting services	<u>92,063</u>	<u>-</u>	<u>92,063</u>
Total Expenses	<u>522,334</u>	<u>-</u>	<u>522,334</u>
Change in Net Assets	(95,957)	179,400	83,443
Net Assets, Beginning of Year	<u>374,039</u>	<u>-</u>	<u>374,039</u>
Net Assets, End of Year	<u>\$ 278,082</u>	<u>\$ 179,400</u>	<u>\$ 457,482</u>

See accompanying auditors' report and notes to financial statements

ECONOMIC GROWTH BUSINESS INCUBATOR
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

Expense Category	Program Services			Supporting Services		Total
	Training	Incubator	Back Office Services	General and Administrative	Fundraising	
Depreciation	\$ 662	\$ -	\$ 662	\$ -	\$ -	\$ 1,324
Event	-	-	-	-	19,181	19,181
Insurance	2,937	420	839	740	-	4,936
Internet and technology	1,520	157	12,515	450	-	14,642
Office expenses	6,231	-	2,670	2,225	-	11,126
Other	10,855	142	1,000	2,300	-	14,297
Professional fees	22,290	3,184	6,369	13,647	-	45,490
Rent	19,488	2,784	5,568	6,960	-	34,800
Salary and benefits	214,159	32,109	64,235	32,015	12,487	355,005
Staff development	6,594	-	-	1,649	-	8,243
Telephone	1,143	163	326	409	-	2,041
Training expenses	11,249	-	-	-	-	11,249
Total expenses	\$ 297,128	\$ 38,959	\$ 94,184	\$ 60,395	\$ 31,668	\$ 522,334

See accompanying auditors' report and notes to financial statements

ECONOMIC GROWTH BUSINESS INCUBATOR
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 83,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,324
Change in assets and liabilities:	
Accounts receivable, net	(3,496)
Grants receivable	(125,300)
Prepaid expenses	(206)
Accrued payroll liabilities	7,237
Net cash used by operating activities	<u>(36,998)</u>
Net Change in Cash and Cash Equivalents	(36,998)
Cash and Cash Equivalents, beginning of year	<u>332,803</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 295,805</u></u>
Supplemental Data:	
Interest paid	<u>\$ -</u>
Income tax paid	<u><u>\$ -</u></u>

See accompanying auditors' report and notes to financial statements

ECONOMIC GROWTH BUSINESS INCUBATOR
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE A – ORGANIZATION

Economic Growth Business Incubator (EGBI) was established in 2003 as a non-profit corporation to provide training, coaching, and support to aspiring and existing business owners who face barriers to growing a successful business. EGBI achieves its mission through a variety of initiatives including the following activities:

Training – EGBI provides education and training in entrepreneurship and financial literacy.

Incubator – EGBI provides an incubation setting to individuals who are starting or growing their businesses.

Back Office Services – EGBI provides bookkeeping services to help educate clients on their business's financial position.

EGBI is funded primarily through grants and training and coaching income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of EGBI is presented to assist in understanding EGBI's financial statements. The financial statements and notes are representations of EGBI's management who is responsible for their integrity and objectivity. The accounting policies conform to U.S. generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in the functional allocation of expenses, valuation of in-kind contributions, and depreciation. Actual results could differ from those estimates.

ECONOMIC GROWTH BUSINESS INCUBATOR
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of EGBI and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, EGBI considers all deposits in banks and interest-bearing instruments with a maturity of three months or less to be cash equivalents.

Receivables

Accounts receivable consists primarily of fees due for coaching, training, or bookkeeping services. The allowance for credit losses is an estimate based on historical information, current conditions, and reasonable and supportable forecasts. EGBI determined that no allowance for credit losses was required as of December 31, 2023 as substantially all of the trade receivables were subsequently collected.

Grants receivable are recognized at the estimated present value of the future cash flows. A discount to present value has not been recorded in the financial statements as the present value of the future cash flows approximated the recorded value. Management determined the allowance for uncollectable grants based on historical experience and an assessment of economic conditions. The allowance reported in the financial statement is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and an adjustment could be significant. At December 31, 2023, the allowance was \$2,500.

Property and Equipment

Acquisitions of property and equipment are stated at cost, if purchased, or fair market value on the date of donation, if received as a gift. Assets with a cost in excess of \$1,000 and useful lives greater than one year are capitalized. Depreciation is calculated using the straight-line

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

method over estimated lives of the assets, generally 5 years for computer equipment. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period in which they were retired. Maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Contracts with Customers – Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When EGBI receives payment in advance, a contract liability is recorded as deferred revenue and then reduced when the revenue is recognized. Revenue streams that are recorded as contracts with customers include training and coaching income and back office services.

Contributions – Contributions, including unconditional promises to give and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Conditional promises to give and conditional grants are recognized as the conditions upon which they depend are substantially met.

Contributed Goods and Services

EGBI records contributions of in-kind goods based on an estimate of the fair value on the date of the donation. EGBI recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not contributed.

EGBI received 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 was not met.

Credit Risk

Financial instruments that potentially subject EGBI to credit risk consist of cash and cash equivalents and receivables. EGBI's deposits did not exceed the federal insurance limits at December 31, 2023.

EGBI generally does not maintain collateral for its receivables and does not believe significant credit risk exists as of December 31, 2023.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs, general and administrative, and fundraising services benefited. Personnel costs have been allocated based on an estimate of time and effort spent in each area. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of EGBI.

Change in Accounting Not-for-Profit Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. ASU 2016-13 is effective for non-profit organizations for fiscal years beginning after December 15, 2022. Financial assets held by EGBI that are subject to this guidance include trade accounts receivable. ASU 2016-13 has been adopted with no material effect on the financial statements or disclosures.

NOTE C – TAX EXEMPT STATUS

EGBI is a nonprofit organization qualifying for tax exempt status under Section 501(c)(3) of the Internal Revenue Code, and as such, is subject to income taxes only on unrelated business income in excess of \$1,000. EGBI owes no federal income tax for the year ending December 31, 2023.

EGBI has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. EGBI has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. EGBI believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on EGBI’s financial position, changes in net assets or cash flows. Accordingly, EGBI has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023. EGBI is subject to audit by taxing authorities for the previous three years which are considered open. There are currently no income tax audits in progress.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023:

Staff laptops	\$	6,622
Less accumulated depreciation		<u>(4,332)</u>
Property and equipment, net	\$	<u>2,290</u>

Depreciation expense was \$1,324 for the year ended December 31, 2023.

NOTE E – ACCOUNTS RECEIVABLE

Receivables from contracts with customers are reported as accounts receivable, net in the statement of financial position. The beginning and ending balances for accounts receivable were as follows for the year ended December 31, 2023:

	<u>January 1, 2023</u>	<u>December 31, 2023</u>
Accounts receivable	\$ 29,291	\$ 32,787

NOTE F – GRANTS RECEIVABLE

Grants receivable are estimated to be collected as follows at December 31, 2023:

Amounts due in:	
Less than one year	\$ 120,000
One to five years	<u>15,000</u>
Total	135,000
Less allowance for uncollectible grants	<u>(2,500)</u>
Total	<u>\$ 132,500</u>

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted by donors for the following reasons for the year ended December 31, 2023:

ECONOMIC GROWTH BUSINESS INCUBATOR
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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Subject to Expenditure for Specific Purpose	
Strategic planning consultant	\$ 4,400
Coaching and training	40,000
EGBI programs	<u>100,000</u>
Total purpose restricted	144,400
Subject to the Passage of Time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>35,000</u>
Total net assets with donor restrictions	<u>\$ 179,400</u>

NOTE H – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- *Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.*
- *Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.*
- *Level 3 Inputs – Unobservable inputs for the asset or liability.*

The fair value of EGBI's assets and liabilities approximate the carrying amounts of such instruments due to their short maturity.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE I – CONTRIBUTED GOODS AND SERVICES

During the year ending December 31, 2023, EGBI recorded the following contributed goods and services:

Office space	\$	34,800
Gift cards		1,264
Other		<u>313</u>
Total contributed goods and services	\$	<u>36,377</u>

The organization received the use of office space at no charge. This space is approximately 2,500 square feet. The estimated fair value of the use of this facility was provided by the donor. The donated space was used for program services and general and administrative services and is included in rent on the statement of functional expenses.

Gift cards are recognized at face value. There were no restrictions on the use of the gift cards and other contributions. The gift cards were used for training materials and office supplies.

NOTE J – RETIREMENT PLAN

EGBI has a Savings Incentive Match Plan for Employees retirement plan, also known as a SIMPLE IRA plan, in which substantially all employees may participate. EGBI matches employee contributions up to a maximum of 3%. Employee contributions are 100% vested immediately. EGBI's contribution to the plan was \$7,146 for the year ended December 31, 2023.

NOTE K – REVENUES AND RECEIVABLES CONCENTRATIONS

For the year ended December 31, 2023, EGBI received \$106,094 in contributions from the Housing Authority of the City of Austin (HACA) which represented approximately 18% of the organization's total revenue.

For the year ended, December 31, 2023, EGBI received \$113,892 in training and coaching income for providing training and coaching to small business owners under contracts with the City of Austin. This represented approximately 19% of the total revenue for the year. At December 31, 2023, the total receivables from the City of Austin totaled \$23,637, which represented approximately 72% of the total accounts receivable balance.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE K – REVENUES AND RECEIVABLES CONCENTRATIONS (continued)

On November 28, 2023, EGBI entered into a new two year contract with the City of Austin beginning December 1, 2023 to provide individual coaching to small businesses. EGBI is paid based on the services provided and will receive a maximum of \$150,000 for the initial term of the contract. The contract may be extended for an additional year for \$75,000 up to three times.

NOTE L – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 295,805
Accounts receivable, net	32,787
Grants receivable, current portion	<u>117,500</u>
Total current financial assets	446,092
Less funds not available for general expenditure due to:	
Purpose restrictions	(144,400)
Financial assets available within one year to meet	
cash needs for general expenditures within one year	<u><u>\$ 301,692</u></u>

The Board ensures EGBI's financial stability by approving an annual budget prior to the start of each fiscal year and monitoring variances throughout the year. EGBI intends to meet cash needs through its program fees and contributions and staying within approved budget amounts.

NOTE M – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the financial statements were available for issuance, June 14, 2024, and there were no significant subsequent events to be disclosed.