

**VENN FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**VENN FOUNDATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Venn Foundation  
St. Paul, Minnesota

We have audited the accompanying financial statements of Venn Foundation, which comprise the balance sheets as of December 31, 2018 and 2017, 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.

### ***Auditors' 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 auditors' 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.

Board of Directors  
Venn Foundation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Venn Foundation as of December 31, 2018 and 2017, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
March 26, 2019

**VENN FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 575,091	\$ 457,130
Program-Related Investments	511,589	-
Interest Receivable	3,373	-
Prepaid Expenses	2,449	2,414
Total Assets	\$ 1,092,502	\$ 459,544
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 12,447	\$ 1,425
Accrued Expenses and Other Liabilities	17,122	5,747
Total Liabilities	29,569	7,172
<b>NET ASSETS</b>		
Without Donor Restriction	1,003,306	452,372
With Donor Restriction	59,627	-
Total Net Assets	1,062,933	452,372
Total Liabilities and Net Assets	\$ 1,092,502	\$ 459,544

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 731,306	\$ 115,926	\$ 847,232	\$ 593,597	\$ -	\$ 593,597
Investment Income	3,371	-	3,371	39	-	39
Program Income	24,590	-	24,590	-	-	-
Other Income	58	-	58	1	-	1
Net Assets Released from Restrictions	56,299	(56,299)	-	-	-	-
Total Revenue and Support	<u>815,624</u>	<u>59,627</u>	<u>875,251</u>	<u>593,637</u>	<u>-</u>	<u>593,637</u>
<b>EXPENSES</b>						
Program						
Program Service Expense	114,590	-	114,590	29,506	-	29,506
Grants	20,000	-	20,000	-	-	-
Total Program	<u>134,590</u>	<u>-</u>	<u>134,590</u>	<u>29,506</u>	<u>-</u>	<u>29,506</u>
Management and General	100,108	-	100,108	96,946	-	96,946
Fundraising and Development	29,992	-	29,992	10,911	-	10,911
Total Expenses	<u>264,690</u>	<u>-</u>	<u>264,690</u>	<u>137,363</u>	<u>-</u>	<u>137,363</u>
<b>CHANGE IN NET ASSETS</b>	550,934	59,627	610,561	456,274	-	456,274
Net Assets - Beginning of Year	<u>452,372</u>	<u>-</u>	<u>452,372</u>	<u>(3,902)</u>	<u>-</u>	<u>(3,902)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,003,306</u>	<u>\$ 59,627</u>	<u>\$ 1,062,933</u>	<u>\$ 452,372</u>	<u>\$ -</u>	<u>\$ 452,372</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 46,864	\$ 24,000	\$ 18,000	\$ 88,864	\$ 10,000	\$ 30,000	\$ 10,000	\$ 50,000
Payroll Taxes	5,771	1,900	1,430	9,101	883	2,650	883	4,416
Total Payroll	<u>52,635</u>	<u>25,900</u>	<u>19,430</u>	<u>97,965</u>	<u>10,883</u>	<u>32,650</u>	<u>10,883</u>	<u>54,416</u>
Client Development and Engagement	1,810	-	500	2,310	1,124	-	-	1,124
Accounting Fees	-	9,209	-	9,209	-	8,957	-	8,957
Legal Fees	-	34,483	3,000	37,483	13,133	54,384	-	67,517
Contracted Services	10,000	1,742	-	11,742	-	-	-	-
Investment Management	41,414	-	-	41,414	2,736	-	-	2,736
Research, Evaluation, and Reporting	-	-	-	-	1,330	-	-	1,330
Fundraising	-	-	-	-	-	-	28	28
Travel	2,050	1,650	1,564	5,264	-	-	-	-
Marketing and Communications	6,081	-	1,500	7,581	-	287	-	287
Insurance	-	-	-	-	-	108	-	108
Occupancy	300	1,862	-	2,162	300	300	-	600
Grant Expense	20,000	-	-	20,000	-	-	-	-
Technology	-	24,110	-	24,110	-	260	-	260
Miscellaneous	300	1,152	3,998	5,450	-	-	-	-
Total Expenses	<u>\$ 134,590</u>	<u>\$ 100,108</u>	<u>\$ 29,992</u>	<u>\$ 264,690</u>	<u>\$ 29,506</u>	<u>\$ 96,946</u>	<u>\$ 10,911</u>	<u>\$ 137,363</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 610,561	\$ 456,274
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in:		
Prepaid Expenses	(35)	(2,414)
Increase (Decrease) in:		
Accounts Payable	11,022	(2,656)
Accrued Expenses	11,375	5,747
Net Cash Provided by Operating Activities	629,550	456,951
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Program-Related Investments	(511,589)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	117,961	456,951
Cash and Cash Equivalents - Beginning of Year	457,130	179
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 575,091	\$ 457,130

See accompanying Notes to Financial Statements.



**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Venn Foundation (the Foundation) is a nonprofit organization on a mission to unleash the full power of Program-Related Investments (PRIs) to advance charitable impact. By opening a special donor-advised fund called a Venn Account, any individual or organization can recommend that their charitable dollars be used by the Foundation to make PRIs. The Foundation can syndicate any one PRI among any number of Venn Accounts. Financial returns from these PRIs go back to participating accounts pro rata for the donors to recommend redeployment into new PRIs or grants. The Foundation's vision is to create a new category of flexible, below-market-rate capital that can be directed creatively to projects and organizations across all sectors that are helping advance charitable goals.

**Cash and Cash Equivalents**

Venn Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. At times, such amounts may be in excess of the FDIC insurance limits. The Foundation has not experienced any loss associated with this practice.

**Program-Related Investments**

Program-Related investments (PRIs) consist of debt and equity positions in organizations that conduct activities that fulfill the charitable purposes of the Foundation. PRIs are initially recorded on the statement of financial position at cost when approved. Uncollected interest earned on program-related investments with a debt position is recorded as earned and included in the investment account. These investments are recoverable over periods ranging up to five years. Should the recipient fail to use the PRI capital to advance the intended charitable purpose, the Foundation can require repayment. In the event that a PRI is subsequently determined to be uncollectible or the value is permanently impaired, the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve.

**Net Assets Classification**

Net assets are classified based on donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restriction – Net assets over which the board of directors has discretionary control. Board-designated amounts represent those net assets that are subject to self-imposed limits by action of the governing board. The Foundation maintains a plurality of donor advised funds (each a DAF). When donors contribute money into a DAF with the Foundation, those dollars are legally unrestricted. However, consistent with the mission of the Foundation, donors are encouraged to and often plan to recommend that their DAF dollars be deployed by the Foundation into particular PRI. Therefore, the Foundation classifies all of the balance in its DAFs as board-designated in holding for current and future PRIs. The Foundation does not intend that the assets in its DAFs will be used for general operating expenses. The Foundation keeps DAF cash in a unique checking account separate from operating cash.

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets Classification (Continued)**

With Donor Restriction – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose and/or passage of time; or b) require that they be maintained in perpetuity by the Foundation, generally, the donor of these assets permits the Foundation to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Payroll is allocated based on management's time estimates on where time is spent. Other costs are directly allocated as incurred.

**Income Taxes**

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Foundation is a public charity and contributions to the Foundation qualify as a charitable tax deduction by the contributor.

The Foundation's tax returns are subject to review and examination by federal, state, and local authorities.

**Change in Accounting Principle**

The Foundation has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-04, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retroactively to ensure comparability with the prior year. The update changes presentation and disclosure requirement for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity.

**Subsequent Events**

Venn Foundation has evaluated subsequent events through March 26, 2019, the date the financial statements were available to be issued.

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 LIQUIDITY**

The Foundation classifies its net assets into two formal categories:

Without Donor Restrictions (WODR) – Net assets which are flexible and available for general use by the Foundation without any donor restrictions.

With Donor-Restrictions (WDR) – Net assets with a special restriction imposed by the donor, which requires that the assets be used in a certain way or over a certain period of time.

Additionally, the Foundation tracks two sub-types of WODR: (a) Board-Designated Net Assets (BDNA) and (b) Undesignated Net Assets (UDNA). BDNA do not have formal donor restrictions but are subject to self-imposed limits by action of the Foundation’s board of directors as described in the Foundation’s formal “Board-Designated Net Assets Policy.”

The Foundation’s definition of liquidity includes WODR cash and current receivables as well WRD cash and current receivables that will likely be released from donor restrictions over the next 12 months. The Foundation further breaks down WODR cash and current receivables into BDNA and UDNA.

Liquidity consisted of the following at December 31:

	2018	2017
<b>Without Donor Restrictions</b>		
Cash - Undesignated	\$ 108,058	\$ 457,130
Cash - Board Designated	407,406	-
Total WODR Cash	<u>515,464</u>	<u>457,130</u>
Current Receivables - Undesignated	-	-
Current Receivables - Board Designated	643	-
Total WODR Current Receivables	<u>643</u>	<u>-</u>
Total WODR Liquidity	<u>516,107</u>	<u>457,130</u>
<b>With Donor Restrictions</b>		
Cash to be released from restrictions	59,627	-
Current receivables to be released from restrictions	-	-
Total WDR Liquidity	<u>59,627</u>	<u>-</u>
Total Liquidity	<u>\$ 575,734</u>	<u>\$ 457,130</u>

The Foundation aims to maintain an “Available Operating Reserve” that can cover all existing liabilities coming due within the next 90 days as well as operating expenses budgeted for the next 90 days (the “Required Operating Reserve”). The “Available Operating Reserve” is comprised of four items:

- 1.WODR undesignated cash
- 2.WODR undesignated receivables expected to be received in the next 90 days
- 3.WDR cash expected to be released from restrictions in the next 90 days
- 4.WDR receivables expected to be received and released from restrictions in the next 90 days

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 LIQUIDITY (CONTINUED)**

	2018
<b>Without Donor Restrictions - Undesignated</b>	
Cash	\$ 108,058
Receivables to be received in next 90 days	-
Total WODR Undesignated in Available Operating Reserve	108,058
<b>With Donor Restrictions</b>	
Cash to be released in next 90 days	22,500
Receivables to be received and released from restrictions in next 90 days	-
Total WDR in Available Operating Reserve	22,500
Available Operating Reserve	130,558
Liabilities due in next 90 days	27,019
New operating expenses budgeted in next 90 days	69,455
Required Operating Reserve	96,474
Net Operating Reserve Available in Excess of Required	\$ 34,084

**NOTE 3 PROGRAM-RELATED INVESTMENTS**

The Foundation's mission is to unleash the full power of PRIs to advance charitable impact. As of December 31, 2018, the Foundation held six PRI assets valued at a total of \$511,589. Five of the Foundation's PRI assets are multi-year, unsecured, low-interest-rate loans, ranging from 1% to 5%, made to nonprofits and early-stage businesses each with the primary purpose of advancing the Foundation's exempt purpose. One of the Foundation's PRI assets is a relatively small pool of unsecured, no-interest PRI loans made to several low-income Minnesota families as part of the Minnesota Afterschool Advance (MAA) pilot program.

Program-Related Investments consist of the following at December 31:

Description	2018	2017
Asiya LLC Matures June 2023	\$ 115,000	\$ -
Family Tree, Inc. Matures October 2023	100,000	-
Binary Bridge, SBC Matures January 2023	135,000	-
Great Teachers, Inc. Matures December 2021	110,000	-
Reflection Sciences, Inc. Matures August 2023	50,100	-
MAA Loan Fund	1,489	-
Subtotal	511,589	-
Interest Receivable (at Varying Rates from 1% to 5% and Maturities through 2023)	3,373	-
Total	\$ 514,962	\$ -

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 PROGRAM-RELATED INVESTMENTS (CONTINUED)**

No PRIs were past due as of December 31, 2018 and 2017, and no allowance for credit losses has been created for any potential uncollectible PRIs as of December 31, 2018 and 2017.

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2018	2017
Net Assets Restricted by Donors	\$ 59,627	\$ -
Total Net Assets with Donor Restrictions	<u>\$ 59,627</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2018	2017
Satisfaction of Purpose Restrictions:		
Youthprise Grant	\$ 56,299	\$ -
Total Net Assets Released from Donor Restrictions	<u>\$ 56,299</u>	<u>\$ -</u>

**NOTE 5 CONCENTRATION RISKS**

Three contributors accounted for approximately 62% and 81% of total contribution revenue for the years ended December 31, 2018 and 2017, respectively.

**NOTE 6 COMMITMENTS**

The Foundation has entered into a master service agreement, which includes future obligations for licensing fees, related to its enterprise software system. The Foundation's commitment to the vendor is \$3,500 per month through December 31, 2020, which equals future obligations of \$84,000 as of December 31, 2018.

**NOTE 7 RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2018 and 2017, approximately 1% and 16% of contribution revenue were made up of contributions from a private foundation for which a Foundation board member serves as president.