

VENN FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**VENN FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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 19, 2020

VENN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 827,205	\$ 575,091
Program-Related Investments	1,068,616	511,589
Receivables	34,961	3,373
Prepaid Expenses	3,908	2,449
Total Assets	\$ 1,934,690	\$ 1,092,502
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 15,163	\$ 12,447
Accrued Expenses and Other Liabilities	19,684	17,122
Total Liabilities	34,847	29,569
NET ASSETS		
Without Donor Restriction	1,877,112	1,003,306
With Donor Restriction	22,731	59,627
Total Net Assets	1,899,843	1,062,933
Total Liabilities and Net Assets	\$ 1,934,690	\$ 1,092,502

See accompanying Notes to Financial Statements.

VENN FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Contributions	\$ 941,886	\$ 56,915	\$ 998,801	\$ 731,307	\$ 115,926	\$ 847,233
Investment Income	25,845	-	25,845	3,371	-	3,371
Program and Other Income	54,304	-	54,304	24,648	-	24,648
Net Assets Released from Restrictions	93,811	(93,811)	-	56,299	(56,299)	-
Total Revenue and Support	<u>1,115,846</u>	<u>(36,896)</u>	<u>1,078,950</u>	<u>815,625</u>	<u>59,627</u>	<u>875,252</u>
EXPENSES						
Program						
Program Service Expense	111,142	-	111,142	114,590	-	114,590
Grants	25,000	-	25,000	20,000	-	20,000
Total Program	<u>136,142</u>	<u>-</u>	<u>136,142</u>	<u>134,590</u>	<u>-</u>	<u>134,590</u>
Management and General	78,345	-	78,345	100,108	-	100,108
Fundraising and Development	27,553	-	27,553	29,992	-	29,992
Total Expenses	<u>242,040</u>	<u>-</u>	<u>242,040</u>	<u>264,690</u>	<u>-</u>	<u>264,690</u>
CHANGE IN NET ASSETS	873,806	(36,896)	836,910	550,934	59,627	610,562
Net Assets - Beginning of Year	<u>1,003,306</u>	<u>59,627</u>	<u>1,062,933</u>	<u>452,372</u>	<u>-</u>	<u>452,372</u>
NET ASSETS - END OF YEAR	<u>\$ 1,877,112</u>	<u>\$ 22,731</u>	<u>\$ 1,899,843</u>	<u>\$ 1,003,306</u>	<u>\$ 59,627</u>	<u>\$ 1,062,933</u>

See accompanying Notes to Financial Statements.

VENN FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 86,240	\$ 24,000	\$ 18,000	\$ 128,240	\$ 46,864	\$ 24,000	\$ 18,000	\$ 88,864
Payroll Taxes	6,895	1,773	1,330	9,998	5,771	1,900	1,430	9,101
Total Payroll	93,135	25,773	19,330	138,238	52,635	25,900	19,430	97,965
Client Development and Engagement	88	-	345	433	1,810	-	500	2,310
Accounting Fees	175	10,763	-	10,938	-	9,209	-	9,209
Legal Fees	3,644	6,747	-	10,391	-	34,483	3,000	37,483
Contracted Services	843	966	-	1,809	10,000	1,742	-	11,742
Investment Management	7,887	-	-	7,887	41,414	-	-	41,414
Travel	4,420	918	3,556	8,894	2,050	1,650	1,564	5,264
Marketing and Communications	31	15	17	63	6,081	-	1,500	7,581
Insurance	-	3,529	-	3,529	-	-	-	-
Occupancy	300	345	95	740	300	1,862	-	2,162
Grant Expense	25,000	-	-	25,000	20,000	-	-	20,000
Technology	-	28,480	-	28,480	-	24,110	-	24,110
Miscellaneous	619	809	4,210	5,638	300	1,152	3,998	5,450
Total Expenses	<u>\$ 136,142</u>	<u>\$ 78,345</u>	<u>\$ 27,553</u>	<u>\$ 242,040</u>	<u>\$ 134,590</u>	<u>\$ 100,108</u>	<u>\$ 29,992</u>	<u>\$ 264,690</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 836,910	\$ 610,561
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Increase in:		
Receivables	(31,588)	(3,373)
Prepaid Expenses	(1,459)	(35)
Increase in:		
Accounts Payable	2,716	11,022
Accrued Expenses	2,562	11,375
Net Cash Provided by Operating Activities	809,141	629,550
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Program-Related Investments	(557,027)	(511,589)
NET INCREASE IN CASH AND CASH EQUIVALENTS	252,114	117,961
Cash and Cash Equivalents - Beginning of Year	575,091	457,130
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 827,205	\$ 575,091

See accompanying Notes to Financial Statements.

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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.

VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. These financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2019. The adoption of ASU 2014-09 was applied on the full retrospective method and did not impact the Foundation's reported revenue.

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

Additionally in June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These financial statements reflect the adoption of ASU 2018-08 beginning in fiscal year 2019. The implementation of this standard did not impact the Foundation's reported revenue.

Subsequent Events

Venn Foundation has evaluated subsequent events through March 19, 2020, the date the financial statements were available to be issued.

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."

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

The Foundation's definition of liquidity includes WODR cash and current receivables as well WDR 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:

	2019	2018
Without Donor Restrictions		
Cash - Undesignated	\$ 47,371	\$ 108,058
Cash - Board Designated	757,103	407,406
Total WODR Cash	<u>804,474</u>	<u>515,464</u>
Current Receivables - Undesignated	15,000	-
Current Receivables - Board Designated	11,458	643
Total WODR Current Receivables	<u>26,458</u>	<u>643</u>
Total WODR Liquidity	830,932	516,107
With Donor Restrictions		
Cash to be released from restrictions	22,731	59,627
Current receivables to be released from restrictions	-	-
Total WDR Liquidity	<u>22,731</u>	<u>59,627</u>
Total Liquidity	<u>\$ 853,663</u>	<u>\$ 575,734</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, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions - Undesignated		
Cash	\$ 47,371	\$ 108,058
Receivables to be received in next 90 days	15,000	-
Total WODR Undesignated in Available Operating Reserve	<u>62,371</u>	<u>108,058</u>
With Donor Restrictions		
Cash to be released in next 90 days	6,000	22,500
Receivables to be received and released from restrictions in next 90 days	-	-
Total WDR in Available Operating Reserve	<u>6,000</u>	<u>22,500</u>
Available Operating Reserve	68,371	130,558
Liabilities due in next 90 days	13,949	27,019
New operating expenses budgeted in next 90 days	<u>42,734</u>	<u>69,455</u>
Required Operating Reserve	<u>56,683</u>	<u>96,474</u>
Net Operating Reserve Available in Excess of Required	<u>\$ 11,688</u>	<u>\$ 34,084</u>

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, 2019, the Foundation held 11 PRI assets valued at a total of \$1,068,616. Eight 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. Two of the Foundation's PRI assets are relatively small pool of unsecured, no-interest PRI loans made to low-income Minnesota families as part of the Minnesota Afterschool Advance (MAA) program.

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 PROGRAM-RELATED INVESTMENTS (CONTINUED)

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Great Teachers, Inc. Matures December 2021	\$ 200,200	\$ 110,000
Asiya, LLC. Matures June 2023	178,165	115,000
Binary Bridge, SBC. Matures January 2023	151,650	135,000
Family Tree, Inc. Matures October 2023	105,000	100,000
Reflection Sciences, Inc. Matures August 2023	50,100	50,100
MAA Loan Fund - 2018	510	1,489
Fair Anita, SBC. Matures May 2023	140,830	-
Minnesota Children's Museum. Matures November 2024	115,955	-
NetZro, SBC. Matures November 2022	56,385	-
Authess, Inc. Matures April 2022	54,686	-
MAA Loan Fund - 2019	15,135	-
Subtotal	<u>1,068,616</u>	<u>511,589</u>
Interest Receivable (at Varying Rates from 1% to 5% and Maturities through 2024)	<u>19,961</u>	<u>3,373</u>
Total	<u><u>\$ 1,088,577</u></u>	<u><u>\$ 514,962</u></u>

No PRIs were past due as of December 31, 2019 and 2018, and no allowance for credit losses has been created for any potential uncollectible PRIs as of December 31, 2019 and 2018.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Net Assets Restricted by Donors	<u>\$ 22,731</u>	<u>\$ 59,627</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 22,731</u></u>	<u><u>\$ 59,627</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:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Youthprise Grant	<u>\$ 93,811</u>	<u>\$ 56,299</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$ 93,811</u></u>	<u><u>\$ 56,299</u></u>

VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 CONCENTRATION RISKS

Three contributors accounted for approximately 67% and 62% of total contribution revenue for the years ended December 31, 2019 and 2018, 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 \$42,000 as of December 31, 2019.