

**VENN FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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 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.

### ***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, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
March 10, 2021

**VENN FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 865,635	\$ 827,205
Program-Related Investments	3,502,860	1,068,616
Receivables	32,895	34,961
Prepaid Expenses	1,505	3,908
Total Assets	\$ 4,402,895	\$ 1,934,690
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,877	\$ 15,163
Note Payable	250,000	-
Accrued Expenses and Other Liabilities	11,982	19,684
Total Liabilities	263,859	34,847
<b>NET ASSETS</b>		
Without Donor Restriction	4,139,036	1,877,112
With Donor Restriction	-	22,731
Total Net Assets	4,139,036	1,899,843
Total Liabilities and Net Assets	\$ 4,402,895	\$ 1,934,690

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 2,728,267	\$ -	\$ 2,728,267	\$ 941,886	\$ 56,915	\$ 998,801
Investment Income	66,441	-	66,441	25,845	-	25,845
Program and Other Income	91,366	-	91,366	54,304	-	54,304
Net Assets Released from Restrictions	22,731	(22,731)	-	93,811	(93,811)	-
Total Revenue and Support	<u>2,908,805</u>	<u>(22,731)</u>	<u>2,886,074</u>	<u>1,115,846</u>	<u>(36,896)</u>	<u>1,078,950</u>
<b>EXPENSES</b>						
Program:						
Program Service Expense	65,146	-	65,146	116,142	-	116,142
Grants	171,522	-	171,522	20,000	-	20,000
Contribution from PRI	302,973	-	302,973	-	-	-
Total Program	<u>539,641</u>	<u>-</u>	<u>539,641</u>	<u>136,142</u>	<u>-</u>	<u>136,142</u>
Management and General	75,943	-	75,943	78,345	-	78,345
Fundraising and Development	31,297	-	31,297	27,553	-	27,553
Total Expenses	<u>646,881</u>	<u>-</u>	<u>646,881</u>	<u>242,040</u>	<u>-</u>	<u>242,040</u>
<b>CHANGE IN NET ASSETS</b>	2,261,924	(22,731)	2,239,193	873,806	(36,896)	836,910
Net Assets - Beginning 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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,139,036</u>	<u>\$ -</u>	<u>\$ 4,139,036</u>	<u>\$ 1,877,112</u>	<u>\$ 22,731</u>	<u>\$ 1,899,843</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 55,485	\$ 28,582	\$ 24,110	\$ 108,177	\$ 86,240	\$ 24,000	\$ 18,000	\$ 128,240
Payroll Taxes	4,981	2,506	2,242	9,729	6,895	1,773	1,330	9,998
Total Payroll	60,466	31,088	26,352	117,906	93,135	25,773	19,330	138,238
Client Development and Engagement	-	-	32	32	88	-	345	433
Accounting Fees	-	10,510	-	10,510	175	10,763	-	10,938
Legal Fees	-	5,000	-	5,000	3,644	6,747	-	10,391
Contracted Services	115	1,052	-	1,167	843	966	-	1,809
Investment Management	3,209	-	-	3,209	7,887	-	-	7,887
Travel	338	210	175	723	4,420	918	3,556	8,894
Marketing and Communications	-	9	-	9	31	15	17	63
Insurance	-	4,529	-	4,529	-	3,529	-	3,529
Occupancy	-	600	-	600	300	345	95	740
Grant Expense	171,522	-	-	171,522	25,000	-	-	25,000
Technology	238	21,260	20	21,518	-	28,480	-	28,480
Contribution from PRI	302,973	-	-	302,973	-	-	-	-
Miscellaneous	780	1,685	4,718	7,183	619	809	4,210	5,638
Total Expenses	<u>\$ 539,641</u>	<u>\$ 75,943</u>	<u>\$ 31,297</u>	<u>\$ 646,881</u>	<u>\$ 136,142</u>	<u>\$ 78,345</u>	<u>\$ 27,553</u>	<u>\$ 242,040</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 2,239,193	\$ 836,910
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Increase in:		
Receivables	2,066	(31,588)
Prepaid Expenses	2,403	(1,459)
Increase in:		
Accounts Payable	(13,286)	2,716
Accrued Expenses	(7,702)	2,562
Net Cash Provided by Operating Activities	2,222,674	809,141
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Program-Related Investments	(2,434,244)	(557,027)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Note Payable	250,000	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	38,430	252,114
Cash and Cash Equivalents - Beginning of Year	827,205	575,091
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 865,635	\$ 827,205

See accompanying Notes to Financial Statements.



**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 Federal Deposit Insurance Corporation 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 12 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, 2020 AND 2019**

**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.

**Subsequent Events**

Venn Foundation has evaluated subsequent events through March 10, 2021, 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.

**VENN FOUNDATION  
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**NOTE 2 LIQUIDITY (CONTINUED)**

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 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:

	2020	2019
<b>Without Donor Restrictions</b>		
Cash - Undesignated	\$ 184,616	\$ 47,371
Cash - Board Designated	681,019	757,103
Total WODR Cash	<u>865,635</u>	<u>804,474</u>
Current Receivables - Undesignated	-	15,000
Current Receivables - Board Designated	32,895	11,458
Total WODR Current Receivables	<u>32,895</u>	<u>26,458</u>
Total WODR Liquidity	898,530	830,932
<b>With Donor Restrictions</b>		
Cash to be released from restrictions	-	22,731
Current receivables to be released from restrictions	-	-
Total WDR Liquidity	<u>-</u>	<u>22,731</u>
Total Liquidity	<u>\$ 898,530</u>	<u>\$ 853,663</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, 2020 AND 2019**

**NOTE 2 LIQUIDITY (CONTINUED)**

	2020	2019
<b>Without Donor Restrictions - Undesignated</b>		
Cash	\$ 184,616	\$ 47,371
Receivables to be received in next 90 days	-	15,000
Total WODR Undesignated in Available Operating Reserve	184,616	62,371
<b>With Donor Restrictions</b>		
Cash to be released in next 90 days	-	6,000
Receivables to be received and released from restrictions in next 90 days	-	-
Total WDR in Available Operating Reserve	-	6,000
Available Operating Reserve	184,616	68,371
Liabilities due in next 90 days	13,792	13,949
New operating expenses budgeted in next 90 days	65,899	42,734
Required Operating Reserve	79,691	56,683
Net Operating Reserve Available in Excess of Required	\$ 104,925	\$ 11,688

**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, 2020, the Foundation held 20 PRI assets valued at a total of \$3,502,860. 16 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. Three of the Foundation's PRI assets are pools of unsecured, no-interest PRI loans made to low-income Minnesota families as part of the Minnesota Afterschool Advance (MAA) program. One of the Foundation's PRI assets is a high-risk unsecured loan to the University of Minnesota to further develop promising technologies.

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

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

<u>Description</u>	<u>2020</u>	<u>2019</u>
Great Teachers, Inc. Matures December 2021	\$ 210,200	\$ 200,200
Asiya, LLC. Matures June 2023	178,165	178,165
Binary Bridge, SBC. Matures January 2023	177,392	151,650
Family Tree, Inc. Matures October 2023	105,000	105,000
Reflection Sciences, Inc. Matures August 2023	50,100	50,100
MAA Loan Fund - 2018	-	510
Fair Anita, SBC. Matures May 2023	148,330	140,830
Minnesota Children's Museum. Matures November 2024	115,955	115,955
NetZro, SBC. Matures November 2022	56,385	56,385
Authess, Inc. Matures April 2022	-	54,686
MAA Loan Fund - 2019	5,503	15,135
Emerge Enterprises. Matures January 2024	125,000	-
Neighborhood Development Center. Matures December 2025	131,768	-
Breathe99. Matures April 2022	129,825	-
Golden Path Solutions. Matures August 2023	100,500	-
YardHomes. Matures December 2031	293,802	-
Cologne House. Matures September 2023	60,100	-
Arctaris Saddleback. Matures December 2026	1,332,500	-
UMN - Osteosarcoma. Matures June 2030	302,500	-
MAA Loan - 2020	282,335	-
Subtotal	<u>3,805,360</u>	<u>1,068,616</u>
Allowance for Loss	<u>(302,500)</u>	<u>-</u>
Total	<u>\$ 3,502,860</u>	<u>\$ 1,068,616</u>

No PRIs were past due as of December 31, 2020 and 2019. An allowance for credit losses was created in 2020.

**NOTE 4 NOTE PAYABLE**

The note payable consists of a promissory note payable to the Bush Foundation in the amount of \$250,000 with simple interest of 1% per annum. The agreement was entered on December 21, 2020. The promissory note is subject to certain permissive repayments and its maturity is subject to acceleration under certain conditions.

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Net Assets Restricted by Donors	\$ -	\$ 22,731
Total Net Assets with Donor Restrictions	<u>\$ -</u>	<u>\$ 22,731</u>

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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:

	2020	2019
Satisfaction of Purpose Restrictions:		
Youthprise Grant	\$ 22,731	\$ 93,811
Total Net Assets Released from Donor Restrictions	\$ 22,731	\$ 93,811

**NOTE 6 CONCENTRATION RISKS**

Two contributors accounted for approximately 60% and Three contributors accounted for approximately 67% of total contribution revenue for the years ended December 31, 2020 and 2019, respectively.

**NOTE 7 COMMITMENTS AND SUBSEQUENT EVENTS**

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 \$1,750 per month through December 31, 2021, which equals future obligations of \$21,000 as of December 31, 2020.

The Foundation received a loan in the amount of \$26,200 to fund payroll, rent and utilities through the federal Paycheck Protection Program with a 1% fixed interest rate. The original loan was forgiven on December 12, 2020.

Subsequent to December 31, 2020, the Foundation received a loan in the amount of \$26,200 to fund payroll, rent and utilities through the federal Paycheck Protection Program with a fixed interest rate of 1%.