

**VENN FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**



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**VENN FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Venn Foundation
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Venn Foundation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Venn Foundation as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Venn Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Venn Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 U.S. GAAS 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 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 U.S. GAAS, 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 Venn Foundation'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 Venn Foundation'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 23, 2022

**VENN FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 3,175,823	\$ 865,635
Program-Related Investments	5,580,599	3,502,860
Receivables	382,129	32,895
Prepaid Expenses	8,920	1,505
Total Assets	\$ 9,147,471	\$ 4,402,895
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,576	\$ 1,877
Note Payable	1,250,000	250,000
Accrued Expenses and Other Liabilities	12,075	11,982
Total Liabilities	1,264,651	263,859
NET ASSETS		
Without Donor Restriction	7,632,820	4,139,036
With Donor Restriction	250,000	-
Total Net Assets	7,882,820	4,139,036
Total Liabilities and Net Assets	\$ 9,147,471	\$ 4,402,895

See accompanying Notes to Financial Statements.

**VENN FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021		2020	
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction
REVENUE AND SUPPORT				
Contributions	\$ 4,795,893	\$ 250,000	\$ 2,728,267	\$ -
Investment Income	113,421	-	66,441	-
Program and Other Income	96,914	-	91,366	-
Net Assets Released from Restrictions	-	-	22,731	(22,731)
Total Revenue and Support	<u>5,006,228</u>	<u>250,000</u>	<u>2,908,805</u>	<u>(22,731)</u>
				<u>2,886,074</u>
EXPENSES				
Program:				
Program Service Expense	75,652	-	65,146	-
Grants	222,000	-	171,522	-
Contribution from PRI	1,111,444	-	302,973	-
Total Program	<u>1,409,096</u>	<u>-</u>	<u>539,641</u>	<u>-</u>
Management and General	73,891	-	75,943	-
Fundraising and Development	29,457	-	31,297	-
Total Expenses	<u>1,512,444</u>	<u>-</u>	<u>646,881</u>	<u>-</u>
CHANGE IN NET ASSETS				
Net Assets - Beginning of Year	3,493,784	250,000	2,261,924	(22,731)
	<u>4,139,036</u>	<u>-</u>	<u>1,877,112</u>	<u>22,731</u>
NET ASSETS - END OF YEAR	<u>\$ 7,632,820</u>	<u>\$ 250,000</u>	<u>\$ 4,139,036</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 63,900	\$ 29,700	\$ 18,900	\$ 112,500	\$ 55,485	\$ 28,582	\$ 24,110	\$ 108,177
Payroll Taxes	4,985	2,308	1,467	8,760	4,981	2,506	2,242	9,729
Total Payroll	68,885	32,008	20,367	121,260	60,466	31,088	26,352	117,906
Client Development and Engagement	210	-	-	210	-	-	32	32
Accounting Fees	-	9,043	-	9,043	-	10,510	-	10,510
Legal Fees	-	-	5,000	5,000	-	5,000	-	5,000
Contracted Services	-	2,976	-	2,976	115	1,052	-	1,167
Investment Management	3,450	-	-	3,450	3,209	-	-	3,209
Travel	125	38	-	163	338	210	175	723
Marketing and Communications	-	-	-	-	-	9	-	9
Insurance	-	5,222	-	5,222	-	4,529	-	4,529
Occupancy	-	600	-	600	-	600	-	600
Grant Expense	222,000	-	-	222,000	171,522	-	-	171,522
Technology	150	21,330	-	21,480	238	21,260	20	21,518
Contribution from PRI	1,111,444	-	-	1,111,444	302,973	-	-	302,973
Miscellaneous	2,832	2,674	4,090	9,596	780	1,685	4,718	7,183
Total Expenses	\$ 1,409,096	\$ 73,891	\$ 29,457	\$ 1,512,444	\$ 539,641	\$ 75,943	\$ 31,297	\$ 646,881

See accompanying Notes to Financial Statements.

**VENN FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 3,743,784	\$ 2,239,193
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Change in Allowance for Program-Related Investments	345,000	302,500
Write-offs of Program-Related Investments	212,192	473
Forgiveness of Program-Related Investments	552,676	-
Increase (Decrease) in:		
Receivables	(349,234)	2,066
Prepaid Expenses	(7,415)	2,403
(Increase) Decrease in:		
Accounts Payable	699	(13,286)
Accrued Expenses	93	(7,702)
Net Cash Provided by Operating Activities	4,497,795	2,525,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of Program-Related Investments	(3,356,970)	(2,801,572)
Payments of Program-Related Investments	169,363	64,355
Net Cash Used by Investing Activities	(3,187,607)	(2,737,217)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Note Payable	1,000,000	250,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,310,188	38,430
Cash and Cash Equivalents - Beginning of Year	865,635	827,205
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,175,823	\$ 865,635

See accompanying Notes to Financial Statements.

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 AND 2020**

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 23, 2022, 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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:

Without Donor Restrictions	2021	2020
Cash - Undesignated	\$ 215,819	\$ 184,616
Cash - Board Designated	2,960,005	681,019
Total WODR Cash	3,175,824	865,635
Current Receivables - Undesignated	25,000	-
Current Receivables - Board Designated	45,050	32,895
Total WODR Current Receivables	70,050	32,895
Total WODR Liquidity	3,245,874	898,530
With Donor Restrictions		
Current Receivables to be Released from Restrictions	50,000	-
Total WDR Liquidity	50,000	-
Total Liquidity	\$ 3,295,874	\$ 898,530

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, 2021 AND 2020**

NOTE 2 LIQUIDITY (CONTINUED)

	2021	2020
Without Donor Restrictions - Undesignated		
Cash	\$ 215,819	\$ 184,616
Receivables to be Received in Next 90 Days	25,000	-
Total WODR Undesignated in Available Operating Reserve	240,819	184,616
With Donor Restrictions		
Cash to be Released in Next 90 Days	-	-
Receivables to be Received and Released from Restrictions in Next 90 Days	50,000	-
Total WDR in Available Operating Reserve	50,000	-
Available Operating Reserve	290,819	184,616
Liabilities Due in Next 90 Days	12,083	13,792
New Operating Expenses Budgeted in Next 90 Days	68,170	65,899
Required Operating Reserve	80,253	79,691
Net Operating Reserve Available in Excess of Required	\$ 210,566	\$ 104,925

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, 2021, the Foundation held 23 PRI assets valued at a total of \$5,580,599. 19 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 pools of unsecured, no-interest PRI loans made to low-income Minnesota families as part of the Minnesota Afterschool Advance (MAA) program. Two of the Foundation's PRI assets are high-risk unsecured loans to the University of Minnesota to further develop promising technologies.

As of December 31, 2021, two investments made up 45% of the total program-related investment balance. As of December 31, 2020, one investment made up 35% of the total program-related investment balance.

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 PROGRAM-RELATED INVESTMENTS (CONTINUED)

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Great Teachers, Inc. Matures December 2021	\$ -	\$ 210,200
Asiya, LLC. Matures June 2023	178,165	178,165
Binary Bridge, SBC. Matures January 2023	177,392	177,392
Family Tree, Inc. Matures October 2023	105,000	105,000
Reflection Sciences, Inc. Matures August 2023	50,100	50,100
Fair Anita, SBC. Matures May 2023	148,330	148,330
Minnesota Children's Museum. Matures November 2024	115,955	115,955
NetZro, SBC. Matures November 2022	56,385	56,385
MAA Loan Fund - 2019	-	5,503
Emerge Enterprises. Matures January 2024	125,000	125,000
Neighborhood Development Center. Matures December 2025	335,458	131,768
Breathe99. Matures April 2022	129,825	129,825
Golden Path Solutions. Matures August 2023	100,500	100,500
YardHomes. Matures December 2031	352,038	293,802
Cologne House. Matures September 2023	60,100	60,100
Arctaris Saddleback. Matures December 2026	2,126,706	1,332,500
UMN - Osteosarcoma. Matures June 2030	302,500	302,500
MAA Loan Fund - 2020	116,483	282,335
UMN - Male Contraception. Matures January 2031	345,000	-
MAA Loan Fund - 2021	532,628	-
Tech Dump. Matures June 2026	181,534	-
TRI-Construction. Matures July 2027	105,000	-
Better Future Forward. No maturity date, revenue based repayment	400,000	-
Lutunji's Palate. Matures December 2026	84,000	-
Proserva. Matures December 2028	100,000	-
Subtotal	<u>6,228,099</u>	<u>3,805,360</u>
Allowance for Loss	<u>(647,500)</u>	<u>(302,500)</u>
Total	<u>\$ 5,580,599</u>	<u>\$ 3,502,860</u>

No PRIs were past due as of December 31, 2021 and 2020.

Three of the Foundation's PRI assets contain some type of provision for conditional forgiveness of PRI principal and/or accrued interest. Upon completion of certain agreed upon milestones or in certain scenarios, the Foundation has agreed to forgive a set percentage of the PRI principal and/or accrued interest. In 2021, the Foundation forgave \$552,676 of principal in its PRI portfolio.

Subsequent to year end, on January 14, 2022, the Foundation entered into an additional program-related investment agreement with Arctaris Saddleback Ski Operations, LLC in the amount of \$1,512,000. On March 14, 2022, the Foundation made a second advance in the amount of \$72,500 under its existing program-related investment agreement with TRI-Construction Inc.

**VENN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 NOTE PAYABLE

The note payable consists of the following as of December 31.

<u>Description</u>	<u>2021</u>	<u>2020</u>
Promissory note payable to the Bush Foundation in the Amount of \$250,000 with simple interest 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.	\$ 250,000	\$ 250,000
Promissory note payable to the Bush Foundation in the Amount of \$1,000,000 with no interest. The agreement was entered on August 31, 2021. The promissory note is subject to certain permissive repayments and its maturity is subject to acceleration under certain conditions.	1,000,000	-
Total Note Payable	<u>\$ 1,250,000</u>	<u>\$ 250,000</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Time Restricted	\$ 250,000	\$ -
Total Net Assets with Donor Restrictions	<u>\$ 250,000</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:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions:		
Youthprise Grant	\$ -	\$ 22,731
Total Net Assets Released from Donor Restrictions	<u>\$ -</u>	<u>\$ 22,731</u>

NOTE 6 CONCENTRATION RISKS

Three contributors accounted for approximately 65% and two contributors accounted for approximately 60% of total contribution revenue for the years ended December 31, 2021 and 2020, respectively.

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