

**VENN FOUNDATION  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**



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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 (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 the Foundation as of December 31, 2023 and 2022, 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 (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 the 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.

#### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2023 the Foundation adopted new accounting guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

#### **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 the 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 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 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 the 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 the 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  
April 12, 2024

**VENN FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,785,120	\$ 2,115,965
Program-Related Investments, Net of Allowance of \$1,746,753 in 2023 and \$1,822,772 in 2022	11,558,987	13,214,252
Receivables, Net of Allowance of \$39,620 in 2023 and \$33,577 in 2022	654,365	317,880
Prepaid Expenses	11,099	12,729
Total Assets	\$ 14,009,571	\$ 15,660,826
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 7,643	\$ 5,125
Note Payable	1,250,000	1,250,000
Accrued Expenses and Other Liabilities	22,284	20,204
Total Liabilities	1,279,927	1,275,329
<b>NET ASSETS</b>		
Without Donor Restriction	12,579,644	14,185,497
With Donor Restriction	150,000	200,000
Total Net Assets	12,729,644	14,385,497
Total Liabilities and Net Assets	\$ 14,009,571	\$ 15,660,826

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 3,844,580	\$ -	\$ 3,844,580	\$ 8,428,904	\$ -	\$ 8,428,904
Investment Income	483,534	-	483,534	293,730	-	293,730
Change in Value in Closed Loop Fund PRI Program and Other Income	(82,347)	-	(82,347)	(265,000)	-	(265,000)
Net Assets Released from Restrictions	140,736	-	140,736	136,674	-	136,674
	50,000	(50,000)	-	50,000	(50,000)	-
Total Revenue and Support	<u>4,436,503</u>	<u>(50,000)</u>	<u>4,386,503</u>	<u>8,644,308</u>	<u>(50,000)</u>	<u>8,594,308</u>
<b>EXPENSES</b>						
Program:						
Program Service Expense	138,156	-	138,156	109,163	-	109,163
Grants	395,902	-	395,902	121,500	-	121,500
Provision for PRI Credit Losses	197,997	-	197,997	-	-	-
Contribution from PRI	5,149,544	-	5,149,544	1,728,762	-	1,728,762
Total Program	<u>5,881,599</u>	<u>-</u>	<u>5,881,599</u>	<u>1,959,425</u>	<u>-</u>	<u>1,959,425</u>
Management and General	115,723	-	115,723	91,763	-	91,763
Fundraising and Development	45,034	-	45,034	40,443	-	40,443
Total Expenses	<u>6,042,356</u>	<u>-</u>	<u>6,042,356</u>	<u>2,091,631</u>	<u>-</u>	<u>2,091,631</u>
<b>CHANGE IN NET ASSETS</b>	(1,605,853)	(50,000)	(1,655,853)	6,552,677	(50,000)	6,502,677
Net Assets - Beginning of Year	<u>14,185,497</u>	<u>200,000</u>	<u>14,385,497</u>	<u>7,632,820</u>	<u>250,000</u>	<u>7,882,820</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,579,644</u>	<u>\$ 150,000</u>	<u>\$ 12,729,644</u>	<u>\$ 14,185,497</u>	<u>\$ 200,000</u>	<u>\$ 14,385,497</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 122,618	\$ 51,000	\$ 31,500	\$ 205,118	\$ 97,000	\$ 42,000	\$ 26,250	\$ 165,250
Payroll Taxes	9,491	4,070	2,435	18,431	7,538	3,324	2,034	12,896
Total Payroll	<u>132,109</u>	<u>55,070</u>	<u>33,935</u>	<u>221,114</u>	<u>104,538</u>	<u>45,324</u>	<u>28,284</u>	<u>178,146</u>
Client Development and Engagement	820	-	820	1,640	-	-	2,145	2,145
Accounting Fees	-	11,227	-	11,227	-	10,041	-	10,041
Legal Fees	1,456	-	6,335	7,791	-	-	6,013	6,013
Contracted Services	-	11,194	-	11,194	115	3,325	-	3,440
Investment Management	-	-	-	-	1,048	-	-	1,048
Travel	550	824	-	1,374	300	235	-	535
Insurance	-	12,730	-	12,730	-	8,693	-	8,693
Occupancy	-	600	-	600	-	600	-	600
Grant Expense	395,902	-	-	395,902	121,500	-	-	121,500
Technology	368	21,120	72	21,560	242	21,108	72	21,422
Provision for PRI Credit Losses	197,997	-	-	197,997	-	-	-	-
Contribution from PRI	5,149,544	-	-	5,149,544	1,728,762	-	-	1,728,762
Miscellaneous	2,853	2,958	3,872	9,683	2,920	2,437	3,929	9,286
Total Expenses	<u>\$ 5,881,599</u>	<u>\$ 115,723</u>	<u>\$ 45,034</u>	<u>\$ 6,042,356</u>	<u>\$ 1,959,425</u>	<u>\$ 91,763</u>	<u>\$ 40,443</u>	<u>\$ 2,091,631</u>

See accompanying Notes to Financial Statements.

**VENN FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (1,655,853)	\$ 6,502,677
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Change in Allowance for Program-Related Investments	(76,019)	1,175,272
Change in Value in Closed Loop Fund PRI	82,347	265,000
Write-offs of Program-Related Investments	266,467	-
Forgiveness of Program-Related Investments	5,149,544	520,262
(Increase) Decrease in:		
Receivables	(336,485)	64,249
Prepaid Expenses	1,630	(3,809)
Increase in:		
Accounts Payable	2,518	2,549
Accrued Expenses	2,080	8,129
Net Cash Provided by Operating Activities	3,436,229	8,534,329
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of Program-Related Investments	(4,889,715)	(5,818,975)
Purchase of Closed Loop Fund PRI	-	(4,090,771)
Payments of Program-Related Investments	1,122,641	315,559
Net Cash Used by Investing Activities	(3,767,074)	(9,594,187)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(330,845)	(1,059,858)
Cash and Cash Equivalents - Beginning of Year	2,115,965	3,175,823
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,785,120	\$ 2,115,965

See accompanying Notes to Financial Statements.



**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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**

The 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.

**Investment in Closed Loop Fund, LP**

The Foundation's program-related investment in the Closed Loop Fund limited partnership is reported at fair value, using net asset value as a practical expedient, as determined by the partnership's general partner. Using net asset value as a practical expedient, the multi-strategy fund of funds is recorded as estimated fair value of the underlying assets. The estimated fair value as determined by the general partners or the fund manager may differ from the value that would have been used had ready markets for the investment existed and the differences could be significantly higher or lower for any specific holding.

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

*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.

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**Change in Accounting Principle**

The Organization has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the organization's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The organization also updated its accounting policies for determining the recoverability of trade receivables, loans, and other financial assets.

**Subsequent Events**

The Foundation has evaluated subsequent events through April 12, 2024, 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  
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**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:

	<u>2023</u>	<u>2022</u>
<b>Without Donor Restrictions</b>		
Cash - Undesignated	\$ 297,668	\$ 277,597
Cash - Board-Designated	1,337,452	1,638,368
Total WODR Cash	<u>1,635,120</u>	<u>1,915,965</u>
Current Receivables - Undesignated	7,250	-
Current Receivables - Board-Designated	133,800	83,344
Total WODR Current Receivables	<u>141,050</u>	<u>83,344</u>
Total WODR Liquidity	1,776,170	1,999,309
<b>With Donor Restrictions</b>		
Cash to be Released from Restrictions	50,000	50,000
Current Receivables to be Released from Restrictions	-	-
Total WDR Liquidity	<u>50,000</u>	<u>50,000</u>
Total Liquidity	<u>\$ 1,826,170</u>	<u>\$ 2,049,309</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  
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**NOTE 2 LIQUIDITY (CONTINUED)**

	2023	2022
<b>Without Donor Restrictions - Undesignated</b>		
Cash	\$ 297,668	\$ 277,597
Receivables to be Received in Next 90 Days	7,250	-
Total WODR Undesignated in Available Operating Reserve	304,918	277,597
<b>With Donor Restrictions</b>		
Cash to be Released in Next 90 Days	50,000	50,000
Receivables to be Received and Released from Restrictions in Next 90 Days	-	-
Total WDR in Available Operating Reserve	50,000	50,000
Available Operating Reserve	354,918	327,597
Liabilities Due in Next 90 Days	22,427	20,262
New Operating Expenses Budgeted in Next 90 Days	106,293	90,155
Required Operating Reserve	128,720	110,417
Net Operating Reserve Available in Excess of Required	\$ 226,198	\$ 217,180

**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, 2023, the Foundation held 35 PRI assets valued, net of allowance, at a total of \$11,558,987. Twenty-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. Two of the Foundation's PRI assets are equity or equity-like investments in companies each made with the primary purpose of advancing the Foundation's charitable purposes. 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. Five of the Foundation's PRI assets are high-risk unsecured loans to the University of Minnesota to further develop promising technologies.

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 PROGRAM-RELATED INVESTMENTS (CONTINUED)**

As of December 31, 2023, three investments made up 60% of the total program-related investment balance. As of December 31, 2022, two investments made up 83% of the total program-related investment balance.

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

<u>Description</u>	<u>2023</u>	<u>2022</u>
Asiya, LLC. Matures June 2023	\$ -	\$ 178,165
Binary Bridge, SBC. Matures January 2025	220,043	177,392
Family Tree, Inc. Matures October 2023	70,000	105,000
Reflection Sciences, Inc. Matures August 2023	25,050	50,100
Fair Anita, SBC. Matures May 2023	-	148,330
Minnesota Children's Museum. Matures November 2024	115,955	115,955
NetZro, SBC. Matures November 2022	56,385	56,385
Emerge Enterprises. Matures January 2024	83,333	125,000
Neighborhood Development Center. Matures December 2025	335,458	335,458
Breathe99, PBC. Matures April 2022	129,825	129,825
Golden Path Solutions, Inc. Matures August 2024	100,500	100,500
YardHomesMN, SBC. Matures December 2032	379,578	352,038
Cologne House. Matures September 2023	-	60,100
Arctaris Saddleback. Matures December 2026	2,174,907	4,207,753
UMN - Osteosarcoma. Matures June 2030	302,500	302,500
MAA Loan Fund - 2020	-	90,405
UMN - Male Contraception. Matures January 2031	345,000	345,000
MAA Loan Fund - 2021	159,832	243,147
Tech Dump. Matures June 2026	251,684	181,534
TRI-Construction. Matures July 2027	204,750	227,500
Better Future Forward. No Maturity Date. Revenue-Based Repayment	400,000	400,000
Voices of Effective Change, GBC d/b/a Lutunji's Palate Bakery & Cafe. Matures December 2026	109,000	84,000
Proserva, PBC. Matures December 2028	100,000	100,000
Actaris Saddleback - Workforce Housing. Matures January 2027	482,870	1,512,000
MAA Loan Fund - 2022	665,142	1,369,469
Kindly Tech, Inc. No Maturity Date. Simple Agreement for Future Equity	368,191	77,597
Global Water First, PBC. Matures October 2027	159,590	136,100
Next Level Logistics, LLC. Matures February 2031	231,750	-
Lip Esteem, LLC. Matures February 2029	115,000	-
Taylor'd Skin & Co. Esthetics Bar, LLC. Matures January 2030	158,000	-
J Benson Construction, GBC, Matures January 2029	391,722	-
MAA Loan Fund - 2023	603,841	-
Apple Tree Dental. Matures April 2030	155,000	-
Fair Anita, SBC PRI #2. Matures September 2027	125,785	-
Santa Barbara Nutrients, PBC, Matures December 2028	481,625	-
UMN - Skin Cancer Prevention. Matures December 2033	20,000	-
UMN - Antimicrobial Resistance. Matures December 2033	20,000	-
UMN - Disease SIR Models. Mature December 2033	20,000	-
Closed Loop Fund, LP *shown as NAV, see Note 8	3,743,424	3,825,771
Subtotal	<u>13,305,740</u>	<u>15,037,024</u>
Allowance for Credit Losses	<u>(1,746,753)</u>	<u>(1,822,772)</u>
Total	<u>\$ 11,558,987</u>	<u>\$ 13,214,252</u>

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 PROGRAM-RELATED INVESTMENTS (CONTINUED)**

As of December 31, 2023 and 2022, three and five PRIs were in default due to one or more missed payments, respectively. The Foundation is actively managing these PRIs and, where appropriate, writing down asset values to an allowance account and restructuring terms.

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 2023 and 2022, the Foundation forgave \$5,149,544 and \$520,262 of principal in its PRI portfolio, respectively.

**NOTE 4 ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses is a valuation account that is deducted from the PRI balance to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a PRI balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses. The allowance for credit losses represents management's estimate of lifetime credit losses inherent in PRIs as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Organization measures expected credit losses for PRIs on a pooled basis when similar risk characteristics exist. Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral. Loans that do not share risk characteristics are evaluated on an individual basis.

Changes in the allowance for credit losses for the year ended December 31, 2023 is as follows:

	2023	2022
Balance - Beginning of Year	\$ 1,822,772	\$ 50,000
Provision for Loan Losses	190,448	-
Write Offs	(266,467)	-
Balance - End of Year	\$ 1,746,753	\$ 50,000

**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 NOTES PAYABLE**

Notes payable consist of the following as of December 31:

<u>Description</u>	<u>2023</u>	<u>2022</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.	<u>1,000,000</u>	<u>1,000,000</u>
Total Notes Payable	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Time Restricted	\$ 150,000	\$ 200,000

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>2023</u>	<u>2022</u>
Expiration of Time Restrictions	\$ 50,000	\$ 50,000

**NOTE 7 CONCENTRATION RISKS**

Two contributors accounted for approximately 62% and 79% of total contribution revenue for the years ended December 31, 2023 and 2022, respectively.



**VENN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 INVESTMENTS HELD AT NET ASSET VALUE**

The following is a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category at December 31:

	2023			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Closed Loop Fund, LP	\$ 3,743,424	\$ -	Not Applicable	Not Applicable

  

	2022			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Closed Loop Fund, LP	\$ 3,825,771	\$ -	Not Applicable	Not Applicable

Closed Loop Fund, LP – This fund provides below-market rate financing to replicable, scalable, and sustainable recycling and circular economy infrastructure projects in the United States. These projects may be run by government bodies, public/private partnerships, and private companies in certain cases. The goal of the fund is to reduce waste, improve recycling, and to create and grow markets for recycled material.

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation’s interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to settle these investments in the secondary market, a buyer may require a discount to the reported net assets value, and the discount could be significant.



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