

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

FINANCIAL STATEMENTS

December 31, 2018 and 2017

(With Independent Auditors' Report)

VENTURE FOR AMERICA, INC.

(A Not-for-Profit Organization)

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Spielman Koenigsberg
& Parker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Venture for America, Inc.:

We have audited the accompanying financial statements of Venture for America, Inc. (a Not-for-Profit Organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, and cash flows for the year 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 audit. We conducted our audit 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 auditor's 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.



Spielman Koenigsberg
& Parker, LLP
CERTIFIED PUBLIC ACCOUNTANTS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Venture for America, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

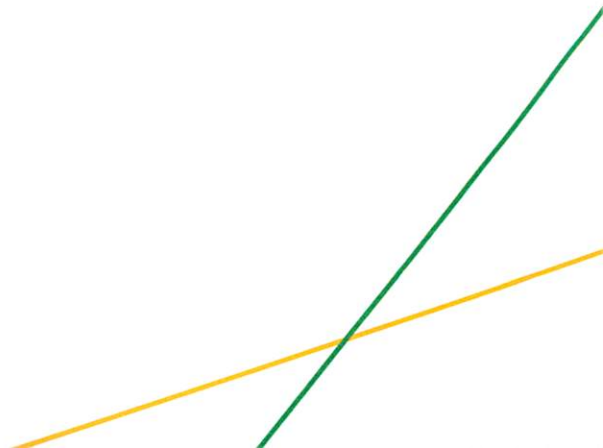
Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Information for the year ended December 31, 2017 is presented for comparative purposes only and was extracted from the financial statements presented by Venture for America, Inc. for that year, on which an unqualified opinion, dated November 1, 2018 was expressed.

Spielman Koenigsberg & Parker LLP

New York, New York
April 30, 2019



VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

December 31, 2018
(with comparative totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>2017</u>
Assets				
Current				
Cash and cash equivalents	\$ (73,745)	\$ 626,165	\$ 552,420	\$ 689,804
Due from other funds	73,745		73,745	
Contributions receivable		2,301,593	2,301,593	1,095,300
Placement fees receivable	60,575		60,575	58,333
Fellow loans receivable	9,255		9,255	1,375
Prepaid expenses	13,733		13,733	9,423
Investments	432,585		432,585	185,085
Other assets	20,084		20,084	8,225
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	536,232	2,927,758	3,463,990	2,047,545
Property and equipment, net of accumulated depreciation	-		-	20,360
Website, net of amortization				54,891
Security deposits	111,711		111,711	46,760
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 647,943</u>	<u>\$ 2,927,758</u>	<u>\$ 3,575,701</u>	<u>\$ 2,169,556</u>
Liabilities				
Current				
Accounts payable and accrued expenses	\$ 357,837	\$ -	\$ 357,837	\$ 304,759
Due to other funds	<hr/>	73,745	73,745	<hr/>
Total current liabilities	<u>357,837</u>	<u>73,745</u>	<u>431,582</u>	<u>304,759</u>
Deferred rent	6,126		6,126	5,498
Deferred revenue	<hr/>	341,312	341,312	<hr/>
Total liabilities	<u>363,963</u>	<u>415,057</u>	<u>779,020</u>	<u>310,257</u>
Net assets				
Total net assets	<u>283,980</u>	<u>2,512,701</u>	<u>2,796,681</u>	<u>1,859,299</u>
Total liabilities and net assets	<u>\$ 647,943</u>	<u>\$ 2,927,758</u>	<u>\$ 3,575,701</u>	<u>\$ 2,169,556</u>

The accompanying notes are an integral part to these consolidated financial statements.

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	<u>Unrestricted</u>	<u>2018 Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>2017 Temporarily Restricted</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 1,084,935	\$ 4,800,674	\$ 5,885,609	\$ 1,698,289	\$ 1,199,500	\$ 2,897,789
Placement fees	773,350		773,350	574,000		574,000
In-kind contributions	338,811		338,811	324,624		324,624
Miscellaneous income	1,820		1,820	12,107		12,107
Special events, net of related expenses				3,000		3,000
Investment income (loss)	(74)		(74)	325		325
Net assets released from restrictions	<u>2,214,350</u>	<u>(2,214,350)</u>		<u>1,017,325</u>	<u>(1,017,325)</u>	
 Total support and revenue	 <u>4,413,192</u>	 <u>2,586,324</u>	 <u>6,999,516</u>	 <u>3,629,670</u>	 <u>182,175</u>	 <u>3,811,845</u>
Operating expenses						
Program services	3,528,206	1,085,793	4,613,999	2,839,748	2,300,852	5,140,600
Management and general	490,866		490,866	502,298		502,298
Fundraising	<u>957,269</u>		<u>957,269</u>	<u>820,442</u>		<u>820,442</u>
 Total expenses	 <u>4,976,341</u>	 <u>1,085,793</u>	 <u>6,062,134</u>	 <u>4,162,488</u>	 <u>2,300,852</u>	 <u>6,463,340</u>
 (Decrease) increase in net assets	 (563,149)	 1,500,531	 937,382	 (532,818)	 (2,118,677)	 (2,651,495)
Total net assets						
Beginning of year	505,817	1,353,482	1,859,299	1,039,695	3,287,274	4,326,969
Non-cash adjustment to net assets	<u>341,312</u>	<u>(341,312)</u>		<u>(1,060)</u>	<u>184,885</u>	<u>183,825</u>
 End of year	 <u>\$ 283,980</u>	 <u>\$ 2,512,701</u>	 <u>\$ 2,796,681</u>	 <u>\$ 505,817</u>	 <u>\$ 1,353,482</u>	 <u>\$ 1,859,299</u>

The accompanying notes are an integral part to these consolidated financial statements.

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 937,382	\$ (2,651,495)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	75,250	61,116
Investment income	74	(325)
Equity adjustment		183,825
Increase (decrease) in:		
Contributions receivable	(1,206,293)	2,358,264
Placement fees receivable	(2,242)	(24,733)
Fellow loans receivable	(7,880)	8,847
Other receivables		26,101
Prepaid expenses	(4,310)	50,690
Security deposits	(64,951)	
Other assets	(11,859)	(975)
(Decrease) increase in:		
Accounts payable and accrued expenses	53,078	(126,500)
Deferred rent	628	2,307
Deferred revenue	341,312	
Net cash provided by operating activities	<u>110,189</u>	<u>(112,878)</u>
Cash flows from investing activities:		
Purchase of investments	(247,573)	(184,760)
Purchases of property and equipment	<u> </u>	<u>(26,422)</u>
Net cash used in investing activities	<u>(247,573)</u>	<u>(211,182)</u>
Net decrease in cash and cash equivalents	(137,384)	(324,060)
Cash and cash equivalents, beginning of year	<u>689,804</u>	<u>1,013,864</u>
Cash and cash equivalents, end of year	<u>\$ 552,420</u>	<u>\$ 689,804</u>

The accompanying notes are an integral part to these consolidated financial statements.

VENTURE FOR AMERICA
(A Not-for-Profit Organization)

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>				<u>2017</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 1,858,118	\$ 311,142	\$ 572,361	\$ 2,741,620	\$ 2,372,682	\$ 234,765	\$ 477,558	\$ 3,085,005
Travel	714,819	6,790	33,887	755,496	913,783	11,508	35,031	960,322
Payroll taxes and benefits	302,974	50,733	93,326	447,032	416,323	40,930	84,552	541,805
Other program costs	372,966	18,613	27,105	418,685	52,117	3,136		55,253
Meals	299,502	3,004	6,606	309,111	455,295	17,846	64,930	538,071
Professional fees	230,524	34,892	42,368	307,784	163,165	11,646	20,180	194,991
Occupancy	189,021	31,017	37,664	257,702	262,610	4,166	28,659	295,435
Event costs	159,396	527	50,844	210,768	155,703	107,461	64,263	327,427
Grants to fellows	185,239			185,239	122,019			122,019
Office supplies and expenses	65,118	11,857	17,681	94,656	109,703	(53,643)	16,078	72,138
Dues and subscriptions	59,418	8,529	13,707	81,654	61,974	37,951	12,804	112,729
Marketing	47,810	524	29,325	77,658	46,199	6,824	15,356	68,379
Depreciation and amortization	51,922	10,535	12,792	75,250		61,116		61,116
Bad debt	40,768	8,272	10,044	59,084		16,708		16,708
Insurance	16,328	3,313	4,023	23,664	1,126	14,142		15,268
Telephone/internet	12,555	2,474	3,005	18,034	573	20,560	218	21,351
Shipping	3,931	165	266	4,362	6,253	1,703	791	8,747
Miscellaneous	3,590	(11,521)	2,267	(5,665)	1,075	(34,521)	22	(33,424)
	<u>\$ 4,613,999</u>	<u>\$ 490,866</u>	<u>\$ 957,269</u>	<u>\$ 6,062,134</u>	<u>\$ 5,140,600</u>	<u>\$ 502,298</u>	<u>\$ 820,442</u>	<u>\$ 6,463,340</u>

The accompanying notes are an integral part to these consolidated financial statements.

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. Organization

Venture for America, Inc. (the “Organization”), is a non-profit organization that is creating the economic opportunity for American cities by mobilizing the next generation of entrepreneurs and equipping them with the skills and resources they need to create jobs.

The Organization operates a 2-year fellowship program that recruits, trains, places and invests in top graduates (“Fellows”) by placing them at startups in emerging US cities and helping them launch their own high-impact businesses.

The Organization is incorporated in the State of Delaware and is exempt from income taxes under Section 501(c)(3) of the internal revenue code. The Organization is located in New York, NY. The major sources of revenues are from contributions from foundations, corporations, and individuals.

2. Summary of Significant Accounting Policies

The major accounting and reporting policies which have been followed in preparing the accompanying financial statements are set forth below:

The preparation of financial statements in accordance with the accrual basis of accounting requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of \$2,000 or more.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

The Organization prepares its financial statements utilizing the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Fund Balances

The Organization's fund balances are classified as follows:

a. Unrestricted - General Fund

The General Fund includes all resources of the Organization which are expendable without restriction in carrying out its operations.

b. Temporarily Restricted

Temporarily restricted funds includes funds, which donors have stipulated, are to be used for specific purposes. The temporarily restricted balance was \$2,927,758 of as of December 31, 2018.

Contributions Receivable

Contributions receivable, which consist of unconditional promises to give, are recognized as revenue in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

Reclassifications

Certain amounts from the 2017 financial statements have been reclassified in order to conform with the 2018 presentation.

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

In-Kind Contributions

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. As of December 31, 2018, In-Kind contributions were \$338,811.

Contributions

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grant Expenditures

Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to significant future Conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions.

Miscellaneous Expenses

The Organization adjusted its accounting treatment for prepaid expenses related to fellow program stipends in 2018, capitalizing rather than expensing unspent funds which resulted in a credit to miscellaneous expenses.

Event costs & Other program costs

Prior to 2018, the Organization recorded in-kind expenses related to its training camp program as Event costs. In 2018, the Organization changed this classification of these expenses to "Other program costs."

Revenue Recognition

Placement fees are recorded as income in the period that a fellow is placed with a corporation.

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

Tax Exempt Status

The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Fair Value Measurements

Assets and liabilities are measured at fair value. The standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. It also establishes a three level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the hierarchy are defined as follows:

Level 1 Inputs	Investments consist of common stock and mutual funds which are valued using unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. No level one investments exist as of December 31, 2018.
Level 2 Inputs	Investments consist of preferred securities, corporate bonds/notes, asset backed securities and government securities which are valued by independent quotation bureaus that use computerized valuation formulas to calculate current values. No level two investments exist as of December 31, 2018.
Level 3 Inputs	Unobservable inputs in which there is little or no market data, which require management to develop their own assumptions.

The following table set forth the financial assets of the Organization, by level, within the fair value hierarchy as of December 31, 2018:

Asset Category	Total	Fair Value as of December 31, 2018		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in subsidiaries				
VFA Create, LLC	\$ 290,034	\$ -	\$ -	\$ 290,034
VFA Create, Inc.	142,551			142,551
Total investments measured at fair value	<u>\$ 432,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,585</u>

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

3. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The Organization maintains its bank deposits with high credit quality financial institutions. At times, such investments may be in excess of federally insured limits. The Organization has not experienced any losses in excess of federally insured limits.

4. Contributions Receivable

Contributions receivable consist of the following at December 31, 2018:

	<u>2018</u>
	2,305,593
Less: allowance for doubtful accounts	<u>(4,000)</u>
	<u>\$ 2,301,593</u>

During 2018, the Organization received \$341,312 in regards to a grant agreement with Ohio Development Services Agency. As the terms of this agreement are still being negotiated, this amount has been recorded as deferred revenue.

5. Placement fees Receivable

Placement fees receivable consist of the following at December 31, 2018 :

	<u>2018</u>
	\$ 99,654
Less: allowance for doubtful accounts	<u>(39,079)</u>
	<u>\$ 60,575</u>

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

6. Fellow Loans Receivable

The organization occasionally grants hardship loans to fellows demonstrating significant financial need. The current balance due from fellows is \$9,255.

7. Property and Equipment

Property and equipment as of December 31, 2018 consists of the following:

	<u>2018</u>
Leasehold improvements	\$ 26,421
Office furniture and equipment	2,399
Computer equipment	<u>1,088</u>
	29,908
Less: accumulated depreciation	<u>(29,908)</u>
	<u><u>\$ -</u></u>

8. Website

Website costs as of December 31, 2018 consists of the following:

	<u>2018</u>
Website	\$ 161,108
Less: accumulated amortization	<u>(161,108)</u>
	<u><u>\$ -</u></u>

9. Retirement Plans

The Organization offers a 401(k) retirement plan for the benefit of its employees. No matching contributions are currently offered by the Organization.

VENTURE FOR AMERICA, INC.
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

10. Investments

The organization entered into a grant agreement with UBS AG New York Branch. The dual purpose of the grant is to fund organization-wide diversity, equity and inclusion efforts as well as provide investment funding in companies founded by VFA Fellows and Alumni. As of December 31, 2018, the Organization has invested \$432,585 in VFA Fellow & Alumni funded companies.

11. Concentrations of Credit Risks

The Organization maintains several bank accounts at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. As of December 31, 2018, the total uninsured balances were \$152,628. Management believes that credit risk related to these accounts to be minimal.

For years ended December 31, 2018, donations from Quicken Loans and UBS each comprised more than 10% of the organization's contributions at \$1 million and \$900,000, respectively.

12. Program Expenses

Program expenses include the recruitment, training, placement, programming and support for newly accepted Fellows. Ongoing support and training is also provided for Fellows as well as Alumni.

13. Related Party Transactions

During 2018, the organization had no material related party transactions.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

14. Commitments and Contingencies

In October 2018, the Organization entered into an agreement to move to a less expensive, new office located at 307 Seventh Avenue, New York, NY. The agreement is from December 16, 2018 to November 15, 2023. Rental expense approximated \$246,000 for the year ended December 31, 2018.

In December 2018, the Organization moved to the new office space requiring a security deposit of \$58,600. The security deposit of \$45,720 from the former landlord was returned in March 2019.

The minimum rental commitments on non-cancelable leases are summarized as follows:

2019	\$ 140,933
2020	144,456
2021	148,068
2022	151,769
2023	<u>142,304</u>
	<u>\$ 727,530</u>

The Organization records rent expense on the straight line basis as required under accounting principles generally accepted in the United States of America. Deferred rent amounted to \$6,126 at December 31, 2018.

15. Subsequent Events

The Organization has evaluated all subsequent events through April 30, 2019, the date the financial statements were available to be issued and determined that no additional disclosures were necessary.