

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

FINANCIAL STATEMENTS

December 31, 2017 and 2016

(With Independent Auditors' Report)

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

TABLE OF CONTENTS

December 31, 2017 and 2016

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows	5
Statements of Functional Expenses.....	6
Notes to Financial Statements.....	7



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, 2017, 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.



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, 2017, 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.

Prior Period Financial Statements

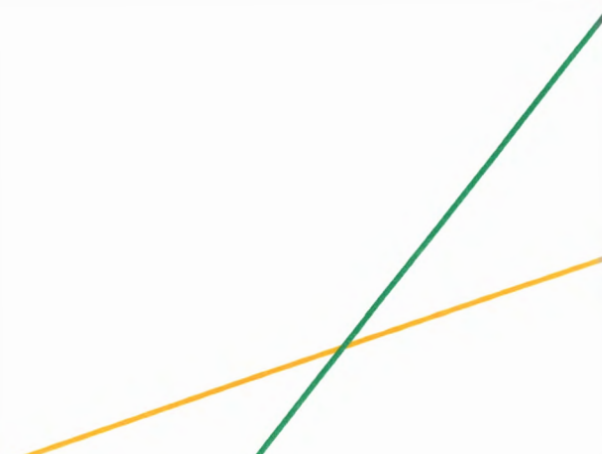
The financial statements of Venture for America, Inc. as of December 31, 2016, were audited by other auditors whose report dated November 14, 2017, expressed an unmodified opinion on those financial statements.

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.

Spielman Koenigsberg & Parker LLP

New York, New York
November 1, 2018



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

STATEMENTS OF FINANCIAL POSITION

December 31, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Assets				
Current				
Cash and cash equivalents	\$ 431,622	\$ 258,182	\$ 689,804	\$ 1,013,864
Contributions receivable		1,095,300	1,095,300	3,453,564
Placement fees receivable	58,333		58,333	33,600
Fellow loans receivable	1,375		1,375	10,222
Other receivables				26,101
Prepaid expenses	9,423		9,423	60,113
Investments	185,085		185,085	
Other assets	8,225		8,225	200
	<u>694,063</u>	<u>1,353,482</u>	<u>2,047,545</u>	<u>4,597,664</u>
Total current assets				
Property and equipment, net of accumulated depreciation	20,360		20,360	1,706
Website, net of amortization	54,891		54,891	108,239
Security deposit	46,760		46,760	53,810
	<u>122,011</u>		<u>122,011</u>	<u>163,755</u>
Total assets	<u>\$ 816,074</u>	<u>\$ 1,353,482</u>	<u>\$ 2,169,556</u>	<u>\$ 4,761,419</u>
Liabilities				
Current				
Accounts payable and accrued expenses	\$ 304,759	\$ -	\$ 304,759	\$ 431,259
	<u>304,759</u>	<u>-</u>	<u>304,759</u>	<u>431,259</u>
Total current liabilities				
Deferred rent	5,498		5,498	3,191
	<u>5,498</u>		<u>5,498</u>	<u>3,191</u>
Total liabilities	<u>310,257</u>		<u>310,257</u>	<u>434,450</u>
Net assets				
Total net assets	<u>505,817</u>	<u>1,353,482</u>	<u>1,859,299</u>	<u>4,326,969</u>
Total liabilities and net assets	<u>\$ 816,074</u>	<u>\$ 1,353,482</u>	<u>\$ 2,169,556</u>	<u>\$ 4,761,419</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>2017 Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>2016 Temporarily Restricted</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 1,698,289	\$ 1,199,500	\$ 2,897,789	\$ 1,459,287	\$ 4,389,650	\$ 5,848,937
Placement fees	574,000		574,000	686,399		686,399
In-kind contributions	324,624		324,624	250,249		250,249
Miscellaneous income (loss)	12,107		12,107	(1,441)		(1,441)
Special events, net of related expenses	3,000		3,000	371,666		371,666
Program income				12,587		12,587
Investment income	325		325	4,434		4,434
Net assets released from restrictions	<u>1,017,325</u>	<u>(1,017,325)</u>	<u> </u>	<u>3,961,126</u>	<u>(3,961,126)</u>	<u> </u>
 Total support and revenue	 <u>3,629,670</u>	 <u>182,175</u>	 <u>3,811,845</u>	 <u>6,744,307</u>	 <u>428,524</u>	 <u>7,172,831</u>
Operating expenses						
Program services	2,839,748	2,300,852	5,140,600	5,991,682		5,991,682
Management and general	502,298		502,298	619,782		619,782
Fundraising	<u>820,442</u>	<u> </u>	<u>820,442</u>	<u>742,747</u>	<u> </u>	<u>742,747</u>
 Total expenses	 <u>4,162,488</u>	 <u>2,300,852</u>	 <u>6,463,340</u>	 <u>7,354,211</u>	 <u> </u>	 <u>7,354,211</u>
 (Decrease) increase in net assets	 (532,818)	 (2,118,677)	 (2,651,495)	 (609,904)	 428,524	 (181,380)
Total net assets						
Beginning of year	1,039,695	3,287,274	4,326,969	1,649,599	2,858,750	4,508,349
Non-cash adjustment to net assets	<u>(1,060)</u>	<u>184,885</u>	<u>183,825</u>	<u> </u>	<u> </u>	<u> </u>
 End of year	 <u>\$ 505,817</u>	 <u>\$ 1,353,482</u>	 <u>\$ 1,859,299</u>	 <u>\$ 1,039,695</u>	 <u>\$ 3,287,274</u>	 <u>\$ 4,326,969</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Decrease in net assets	\$ (2,651,495)	\$ (181,380)
Adjustment to reconcile decrease in net assets to net cash used in operating operating activities:		
Contribution of securities		(22,258)
Depreciation and amortization	61,116	12,775
Investment income	(325)	(3,842)
2016 Equity adjustment	183,825	
Decrease (increase) in:		
Contributions receivable	2,358,264	(271,882)
Placement fees receivable	(24,733)	16,400
Fellow loans receivable	8,847	37,080
Other receivables	26,101	(26,101)
Prepaid expenses	50,690	(4,085)
Other assets	(975)	(12,539)
(Decrease) increase in:		
Accounts payable and accrued expenses	(126,500)	316,453
Deferred rent	<u>2,307</u>	<u>(6,306)</u>
Net cash provided by operating activities	<u>(112,878)</u>	<u>(145,685)</u>
Cash flows from investing activities:		
Net proceeds from investments	(184,760)	76,429
Purchases of property and equipment	<u>(26,422)</u>	<u>(1,088)</u>
Net cash (used in) provided by investing activities	<u>(211,182)</u>	<u>75,341</u>
Net decrease in cash and cash equivalents	(324,060)	(70,344)
Cash and cash equivalents, beginning of year	<u>1,013,864</u>	<u>1,084,208</u>
Cash and cash equivalents, end of year	<u>\$ 689,804</u>	<u>\$ 1,013,864</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, 2017 and 2016

	<u>2017</u>				<u>2016</u>			
	Program Services	Management and General	Fundraising and Development	Total	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 2,372,682	\$ 234,765	\$ 477,558	\$ 3,085,005	\$ 1,883,037	\$ 264,613	\$ 398,910	\$ 2,546,560
Travel	913,783	11,508	35,031	960,322	659,375	14,205	64,948	738,528
Payroll taxes and benefits	416,323	40,930	84,552	541,805	369,942	51,986	78,370	500,298
Meals	455,295	17,846	64,930	538,071	457,566	6,416	112,749	576,731
Event costs	155,703	107,461	64,263	327,427	271,478	2,636	80,663	354,777
Occupancy	262,610	4,166	28,659	295,435	186,889	20,033	30,295	237,217
Professional fees	163,165	11,646	20,180	194,991	1,398,258	156,862		1,555,120
Grants to fellows	122,019			122,019	289,311			289,311
Dues and subscriptions	61,974	37,951	12,804	112,729	78,397	6,535	17,370	102,302
Office supplies and expenses	109,703	(53,643)	16,078	72,138	17,249	12,336	2,599	32,184
Marketing	46,199	6,824	15,356	68,379	105,759	2,815	18,826	127,400
Depreciation and amortization		61,116		61,116		71,578		71,578
Other program costs	52,117	3,136		55,253	59,530	5,611	1,116	66,257
Telephone/internet	573	20,560	218	21,351	7,580	1,013	1,527	10,120
Bad debt		16,708		16,708				
Insurance	1,126	14,142		15,268	11,924	1,153	1,738	14,815
Shipping	6,253	1,703	791	8,747	8,638	285	2,596	11,519
Miscellaneous	1,075	(34,521)	22	(33,424)	1,864	1,705	2,745	6,314
Reclass to investments					184,885			184,885
	5,140,600	502,298	820,442	6,463,340	5,991,682	619,782	814,452	7,425,916
Less: Special event expenses deducted directly from revenues on the statement of activities							71,705	71,705
	<u>\$ 5,140,600</u>	<u>\$ 502,298</u>	<u>\$ 820,442</u>	<u>\$ 6,463,340</u>	<u>\$ 5,991,682</u>	<u>\$ 619,782</u>	<u>\$ 742,747</u>	<u>\$ 7,354,211</u>

The accompanying notes are integral part of these financial statements

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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.
(A Not-for-Profit Organization)

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 \$1,353,482 of as of December 31, 2017.

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 2016 financial statements have been reclassified in order to conform with the 2017 presentation.

VENTURE FOR AMERICA, INC.
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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, 2017, In-Kind contributions were \$324,624.

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.

Revenue Recognition

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

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.

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

NOTES TO FINANCIAL STATEMENTS

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, 2017.
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, 2017.
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, 2017:

Asset Category	Total	Fair Value as of December 31, 2017		
		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	\$ 145,034	\$ -	\$ -	\$ 145,034
VFA Create, Inc.	40,051			40,051
Total investments measured at fair value	<u>\$ 185,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,085</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, 2017:

	<u>2017</u>
	\$ 1,097,283
Less: allowance for doubtful accounts	<u>(1,983)</u>
	<u>\$ 1,095,300</u>

During 2017, the Organization entered into a \$1,597,371 grant agreement with Ohio Third Frontier. In accordance with this agreement, revenue and receivables related to this grant will be recognized as applicable expenses are incurred.

5. Placement fees Receivable

Placement fees receivable consist of the following at December 31, 2017 :

	<u>2017</u>
	\$ 108,133
Less: allowance for doubtful accounts	<u>(49,800)</u>
	<u>\$ 58,333</u>

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

NOTES TO FINANCIAL STATEMENTS

6. Fellow Loans Receivable

In 2014, the Organization made convertible loans to five Fellow-led companies totaling \$165,000. In November 2015, the Organization offered to convert each loan into a Fellow Grant on the terms which include:

The Grant monies are to be used to establish or continue to grow the Fellow's company in an economically under- resourced US city. Written narrative reports are required until all funds are expended. Refunds are due to the Organization if the grant funds are not used for the purpose of the grant on or before December 31, 2019. Four fellow loans totaling \$120,000 were converted to grants in 2015. The fifth loan for \$45,000 converted to a grant in January 2016. As of December 31, 2017, there is a balance of \$1,375 in non-convertible loans.

7. Property and Equipment

Property and equipment as of December 31, 2017 consists of the following:

	<u>2017</u>
Leasehold improvements	\$ 26,421
Office furniture and equipment	2,399
Computer equipment	<u>1,088</u>
	29,908
Less: accumulated depreciation	<u>9,548</u>
	<u><u>\$ 20,360</u></u>

8. Website

Website costs as of December 31, 2017 consists of the following:

	<u>2017</u>
Website	\$ 161,108
Less: accumulated amortization	<u>(106,217)</u>
	<u><u>\$ 54,891</u></u>

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

NOTES TO FINANCIAL STATEMENTS

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.

10. Investments

The organization entered into a grant agreement with UBS AG New York Branch. The purpose of the grant is to help build VFA Launch, an initiative to build the resources and programming support offered to the Organization's fellows and alumni who are starting their own ventures. The grant is intended to fund the program staff, including the Launch Manager and Entrepreneur In Residence, as well as the development of founder curriculum and the digital platform that supports VFA Launch and Entrepreneur In Residence. As of December 31, 2017, the Organization has invested \$185,085 into these programs. In the prior year, these expenditures were treated as an expense. An adjustment was made in 2017 to properly recognize this amount as an investment.

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, 2017 the total uninsured cash balances were \$433,425. Management believes that credit risk related to these accounts to be minimal.

For the year ended December 31, 2016, 43% of the Organization's contributions were received from two donors. For year ended December 31, 2017, no one donor contributed a significant percentage of the organization's contributions.

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. During 2016, professional fees included \$1,250,000 for the Generation Startup documentary.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

13. Related Party Transactions

During 2017, the Organization borrowed \$100,000 from a Board Member and former CEO of the Organization. This loan, which was not interest bearing, was fully repaid during 2017.

14. Commitments and Contingencies

In July 2016, the Organization entered into a new rental lease agreement at their current New York, NY location. The agreements are from August 1, 2016 to July 31, 2019. Rental expense approximated \$215,000 for the year ended December 31, 2017.

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

2018	\$ 188,469
2019	<u>111,839</u>
	<u>\$ 300,308</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 \$5,498 at December 31, 2017.

15. Subsequent Events

The Organization has evaluated all subsequent events through November 1, 2018, the date the financial statements were available to be issued and determined that no additional disclosures were necessary.