

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

FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(With Independent Auditors' Report)

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

For the Years Ended December 31, 2022 and 2021

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Venture for America, Inc. (the “Organization”), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Venture for America, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Organization 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, which raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 Organization'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, which raise substantial doubt about the Organization'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 audits.

Spielman Koenigsberg & Parker LLP

New York, New York
June 14, 2023

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2022
(with summarized comparative information as of December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current				
Cash and cash equivalents	\$ 158,039	\$ 178,350	\$ 336,389	\$ 2,290,966
Pledges receivable, net	208,912	-	208,912	100,031
Placement fees receivable, net	42,500	-	42,500	5,546
Investments	(38,681)	984,599	945,918	954,352
Prepaid expenses	96,737	-	96,737	57,792
Other assets, net	100,302	-	100,302	24,933
Total current assets	567,809	1,162,949	1,730,758	3,433,620
Employee Retention Credit	848,094	-	848,094	-
Website, net	39,476	-	39,476	69,083
Software rebuild	260,897	-	260,897	56,000
Security deposits	-	-	-	47,270
Total assets	\$ 1,716,276	\$ 1,162,949	\$ 2,879,225	\$ 3,605,973
Liabilities and Net Assets				
Liabilities				
Current				
Accounts payable and accrued expenses	\$ 91,216	\$ -	\$ 91,216	\$ 232,886
Line of credit	660,000	-	660,000	-
Rent payable	-	-	-	49,954
Total current liabilities	751,216	-	751,216	282,840
Deferred rent	-	-	-	25,435
Rent payable, net of current portion	-	-	-	64,931
Total liabilities	751,216	-	751,216	373,206
Net assets				
With donor restrictions	-	1,162,949	1,162,949	1,690,949
Without donor restrictions	965,060	-	965,060	1,541,818
Total net assets	965,060	1,162,949	2,128,009	3,232,767
Total liabilities and net assets	\$ 1,716,276	\$ 1,162,949	\$ 2,879,225	\$ 3,605,973

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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions, restated	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 1,144,444	\$ 2,671,161	\$ 3,815,605	\$ 885,823	\$ 3,914,000	\$ 4,799,823
Placement fees	547,000	-	547,000	756,500	-	756,500
In-kind contributions	145,246	-	145,246	118,221	-	118,221
Net assets released from restrictions	<u>3,199,161</u>	<u>(3,199,161)</u>	<u>-</u>	<u>3,067,650</u>	<u>(3,067,650)</u>	<u>-</u>
Total support and revenue	5,035,851	(528,000)	4,507,851	4,828,194	846,350	5,674,544
Expenses						
Program services	3,774,025	-	3,774,025	3,232,188	-	3,232,188
General and administrative	1,409,447	-	1,409,447	995,959	-	995,959
Fundraising	<u>1,304,721</u>	<u>-</u>	<u>1,304,721</u>	<u>1,137,249</u>	<u>-</u>	<u>1,137,249</u>
Total expenses	6,488,193	-	6,488,193	5,365,396	-	5,365,396
Other Income (Loss)						
Employee Retention Credit	848,094	-	848,094	-	-	-
Investment income (loss)	51	-	51	(24,735)	-	(24,735)
Miscellaneous income	<u>27,439</u>	<u>-</u>	<u>27,439</u>	<u>1,192,061</u>	<u>-</u>	<u>1,192,061</u>
Total other income, net	<u>875,584</u>	<u>-</u>	<u>875,584</u>	<u>1,167,326</u>	<u>-</u>	<u>1,167,326</u>
Change in net assets	(576,758)	(528,000)	(1,104,758)	630,124	846,350	1,476,474
Net Assets, beginning of year	<u>1,541,818</u>	<u>1,690,949</u>	<u>3,232,767</u>	<u>911,694</u>	<u>844,599</u>	<u>1,756,293</u>
Net assets, end of year	<u>\$ 965,060</u>	<u>\$ 1,162,949</u>	<u>\$ 2,128,009</u>	<u>\$ 1,541,818</u>	<u>\$ 1,690,949</u>	<u>\$ 3,232,767</u>

The accompanying notes are an integral part of these financial statements

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

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 2,067,401	\$ 355,335	\$ 807,579	\$ 3,230,315	\$ 1,781,974	\$ 306,277	\$ 696,084	\$ 2,784,335
Travel	108,114	1,591	3,137	112,842	20,754	305	602	21,661
Payroll taxes and benefits	413,734	89,112	133,668	636,514	347,843	74,920	112,380	535,143
Other program costs	-	717,714	-	717,714	-	392,294	-	392,294
Meals	16,303	1,260	2,224	19,787	8,082	625	1,103	9,810
Professional fees	379,020	69,955	104,905	553,880	555,912	102,604	153,865	812,381
Occupancy	92,644	19,799	29,692	142,135	100,291	21,434	32,143	153,868
Event costs	102,368	493	2,014	104,875	36,921	178	726	37,825
Grants to fellows	77,834	-	-	77,834	50,000	-	-	50,000
Office supplies and expenses	4,482	600	904	5,986	2,216	296	447	2,959
Dues and subscriptions	15,434	1,310	2,157	18,901	5,628	478	786	6,892
Marketing	23,163	975	3,392	27,530	10,726	451	1,571	12,748
Bad debt	88,671	86,063	86,063	260,797	51,668	50,149	50,149	151,966
Amortization	19,245	4,145	6,217	29,607	12,830	2,763	4,145	19,738
Insurance	29,283	6,305	9,458	45,046	27,998	6,029	9,043	43,070
Telephone/internet	35,834	7,692	11,538	55,064	33,904	7,278	10,916	52,098
Processing Fees	56,578	9,059	15,555	81,192	50,101	8,022	13,774	71,897
Subscriptions	206,389	35,473	80,621	322,483	103,060	17,714	40,258	161,032
VFA espenses	12,967	2,229	5,065	20,261	21,966	3,775	8,581	34,322
Website	12,959	-	-	12,959	7,355	-	-	7,355
Repairs and maintenance	189	32	74	295	945	162	369	1,476
Interest expense	8,408	-	-	8,408	-	-	-	-
Shipping	3,005	305	458	3,768	2,014	205	307	2,526
Total functional expenses	\$ 3,774,025	\$ 1,409,447	\$ 1,304,721	\$ 6,488,193	\$ 3,232,188	\$ 995,959	\$ 1,137,249	\$ 5,365,396

The accompanying notes are an integral part of these financial statements

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

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2022
(with summarized comparative information for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Cash flows from operating activities				
Change in net assets	\$ (576,758)	\$ (528,000)	\$ (1,104,758)	\$ 1,476,474
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Forgiveness of Paycheck Protection Program	-	-	-	(641,400)
Employee Retention Credit income	(848,094)	-	(848,094)	-
Investment income	8,434	-	8,434	24,735
Amortization	29,607	-	29,607	(56,000)
Bad debt expense	260,797	-	260,797	151,966
Decrease (increase) in operating assets:				
Pledges receivable	(369,678)	-	(369,678)	(106,576)
Placement fees receivable	(36,954)	-	(36,954)	99,659
Prepaid expenses	(38,945)	-	(38,945)	(12,723)
Security deposits	47,270	-	47,270	2,800
Other assets	(75,369)	-	(75,369)	(4,500)
(Decrease) increase in operating liabilities:				
Accounts payable and accrued expenses	(141,670)	-	(141,670)	7,794
Deferred rent	(25,435)	-	(25,435)	649
Rent payable	(114,885)	-	(114,885)	114,885
Deferred revenue	-	-	-	(558,000)
Net cash (used in) provided by operating activities	<u>(1,881,680)</u>	<u>(528,000)</u>	<u>(2,409,680)</u>	<u>499,763</u>
Cash flows from investing activities				
Cash transferred to investments	-	-	-	(140,000)
Cash paid for website costs	(204,897)	-	(204,897)	(47,382)
Net cash used in investing activities	<u>(204,897)</u>	<u>-</u>	<u>(204,897)</u>	<u>(187,382)</u>
Cash flows from financing activities				
Proceeds from loan payable	<u>660,000</u>	<u>-</u>	<u>660,000</u>	<u>-</u>
Net change in cash	(1,426,577)	(528,000)	(1,954,577)	312,381
Cash, restricted cash, and cash equivalents, beginning of year	<u>1,584,616</u>	<u>706,350</u>	<u>2,290,966</u>	<u>1,978,585</u>
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 158,039</u>	<u>\$ 178,350</u>	<u>\$ 336,389</u>	<u>\$ 2,290,966</u>

The accompanying notes are an integral part of these financial statements

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of the 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 was incorporated in the State of Delaware and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). The Organization is located in Detroit, Michigan. The major sources of revenues are from contributions from corporations and individuals.

The Organization’s hosts the following efforts with the intention of accomplishing their mission:

Fellow Experience - Recruitment and Selection

The Organization draws diverse talent from a high-caliber, diverse, national pool representing more than 450 colleges and universities across the country. We select a diverse and representative class of talented recent college graduates based on a consistent and equitable criterion and provide them with resume support, interview skill building, and coaching, in preparation for a potential employment opportunity with a Company partner within the business network that the organization manages.

Company Partners

Annually, the Organization partners with more than 200 entrepreneurs and hiring managers in 13 US cities to support early-stage career placements and pathways for its fellows. The Organization has a team that manages a platform for fellows and partners to connect, schedule interviews, and confirm job placements. Upon accepting a job, Fellows move to one of the thirteen cities and begin working.

Community Partnerships & City Engagement

The Organization directors in each market assist Fellows navigate their cities, both providing information about the city at large, and supporting them as they access the network the organization manages. The resulting impact of local support the organization provides leads to high civic engagement, immersive experiences in the startup ecosystem, and strong relationships with other Fellows and Alumni peers living in the city.

Fellow Programming

The Organization offers each fellow within a given cohort a two-year curriculum to support becoming a startup leader or startup founder. The Organization employs directors in each city to regularly plan informational and networking events, info sessions with economic development agencies and engagement with local civic leaders. Directors also provide fellows with 1:1 coaching during the two-year fellowship and other activities to encourage entrepreneurial thinking.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Description of the Organization (continued)

Fellow Education - Training Camp

All Incoming Fellows experience the Organization Training Camp, our version of a two-week job-preparedness program. The program design for the training camp consists of weekly challenges, like a Website Challenge with Rebrand Cities, the Design Thinking Challenge with IDEO; participation in elective sessions on topics like SEO, public speaking, fostering an inclusive company culture, project management, market sizing, and negotiation skills; and sessions on work life balance, community building, and civic engagement. To support the knowledge we impart on our Fellows, we leverage a network of regional and national leaders who volunteer their time to help ensure fellows are more aware, have a deeper understanding of the culture of entrepreneurship as they seek to be start-up ready on day one.

Entrepreneurial Activities

The Organization provides ongoing support for fellows to expand entrepreneurship skills; exploring, initiating, developing, and pitching ideas. Fellows that have interest in becoming a founder of a company are additionally able to participate in national entrepreneurship programs, including quarterly Validation Challenges, and a Side-project-a-thon. Both fellow and alumni who are founders of companies are also provided the opportunity to present their company to experts in the field during Demo Days, Catalyst Awards, and BrainTrusts, where they receive feedback, coaching, and capital for their businesses. The organization also operates a business accelerator to give the Organization Alumni support needed to turn side projects and business concepts into full-time ventures. The organization raises charitable support to provide both living and business stipends during the 4-month program.

Commitment to diverse and inclusive communities:

The Organization is committed to empowering, providing opportunities, and creating supporting Fellows and Alumni who identify with groups that are underrepresented in entrepreneurial and innovation communities. The Organization dedicates employees to serve as direct liaisons with eight (8) groups supported by Fellows and Alumni to empower, provide opportunities, and create a formal community space for Fellows and Alumni who identify with groups that are underrepresented in entrepreneurial and innovation communities.

Build21: for Fellows/Alumni of African American, Afro-Caribbean & African
Anthra Prerna: for Fellows and Alums who identify as South Asian or South Asian American
Latinx: for Fellows/Alumni who identify as Latino/Latina/Latinx
VFAsians: for Fellows/Alumni who identify as Asian or Asian-American
VentureOut: for LGBTQ Fellows/Alumni and allies
VFA WMN: for Fellows/Alumni who identify as women
MEDAN: for Fellows/Alumni who identify as Middle Eastern or North African
Venture First: for Fellows/Alumni who identify as first-generation college graduates and/or low-income individuals

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (“U.S GAAP”) and the Accounting Standards Codification (ASC) Topic 958 (Not-for-profit entities) of the Financial Accounting Standards Board (“FASB”).

Use of Estimates

The preparation of the financial statements in accordance with U.S. GAAP 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.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. There were net assets with donor restrictions of \$1,162,949 and \$1,690,949 for the year ended December 31, 2022 and 2021, respectively.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2. Summary of Significant Accounting Policies (continued)

Revenue from contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP when it became effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2014-09 one year, making it effective for years beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. The Organization adopted ASC Topic 606 with a date of initial application on January 1, 2021.

The Organization determines revenue by applying the following 5-step model:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognized revenue as the performance obligations are satisfied.

Disaggregation of Revenue: Management disaggregated revenue based off the nature of the revenue source, including type of customer, type of contract and services provided, to account for the uncertainty of revenue and cash flows. Consequently, revenue is disaggregated based off the timing of the transfer of goods and services, whether they are at a point in time or over a period of time.

Performance Obligations:

Placement Fees: Contracts are established on payment, for which the Organization provides services to recommend Fellows to the company for employment. Depending on the type of organization or the type of agreement the fee can be \$5,000 or \$7,500. The Organization recognizes the revenue once the service has been provided. Refunds are provided on demand. There were no refunds for the year ended December 31, 2022.

Significant Judgments: The board of directors and management of the Organization determine the transaction prices of the services provided on an annual basis. In addition, the timing of satisfaction of performance obligations is determined on a case-by-case basis.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2. Summary of Significant Accounting Policies (continued)

Contributions

The Organization complies with Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution) and for distinguishing between conditional and unconditional contributions.

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions that increases those net asset classes. When a restriction expires, the with donor restriction net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. Revenues representing contributions are recognized when the contribution is received at fair value of the contribution.

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. For the years ended December 31, 2022 and 2021, there were \$145,246 and \$118,221, respectively, of in-kind contributions.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization files annual information returns to the Internal Revenue Service (IRS) (Form 990) and the Office of the Attorney General of the state of New York. The Organization has not been informed of any tax examinations by either the IRS or the State. Its tax returns for the last three years remain subject to examination.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less.

VENTURE FOR AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable without donor restrictions represents amounts due for events otherwise not covered by restricted donations, including earned revenue from Company Partner Placement Fees and some large unrestricted grants. Pledges receivable, which consist of unconditional promises to give, are recognized in the time period(s) the donor is funding. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

Pledges 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.

An allowance for uncollectible accounts, if necessary, is generally determined based upon an account-by-account review. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible. Interest is not charged on the receivables. Accounts receivable with donor restrictions represents legally enforceable pledges and contributions, less an allowance for uncollectible amounts. The Allowance for Doubtful Accounts was \$177,833 and \$133,529 as of December 31, 2022 and 2021, respectively.

Banza Investment

The Organization maintains a donated investment for profit interest in Banza, LLC, an unrelated party. The amounts are retained on the balance sheet at net book value, based off K-1's provided by the entity on an annual basis. The current net book value of the Banza investment as of December 31, 2022 and 2021 is \$(38,681) and \$(30,247), respectively.

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.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses" ("ASC Topic 326") Measurement of Credit Losses on Financial Instruments. ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. Current U.S. GAAP contains an incurred loss methodology for recognizing credit losses and delays the recognition until it is probable that a loss has been incurred. ASU No. 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments (including trade receivables). For private companies, ASU No. 2016-13 is effective for years beginning after December 15, 2022 (i.e., calendar periods beginning on January 1, 2023) Early adoption is permitted. The Organization is currently evaluating the effect of this new guidance on the combined financial statements and related disclosures.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Concentration of Credit Risk

The Organization maintains its bank deposits with high credit quality financial institutions. Accounts at these financial institutions are insured by the Federal Deposit Insurance Company (“FDIC”) to \$250,000 per depositor. At December 31, 2022 and 2021, the Organization had \$36,212 and \$1,519,839, respectively, in cash on deposit that was in excess of the insurance guaranteed by the FDIC. No losses have been incurred to date.

4. Receivables

Receivables consist of the following at December 31, 2022 and 2021:

Pledges Receivable

	December 31,	
	<u>2022</u>	<u>2021</u>
Contributions Receivable	\$ 341,993	\$ 226,800
Less: allowance for doubtful accounts	<u>(133,081)</u>	<u>(126,769)</u>
	<u>\$ 208,912</u>	<u>\$ 100,031</u>

Placement Fee Receivables

	<u>2022</u>	<u>2021</u>
Placement Fee Receivable	\$ 87,252	\$ 5,546
Less: allowance for doubtful accounts	<u>(44,752)</u>	<u>-</u>
	<u>\$ 42,500</u>	<u>\$ 5,546</u>

Fellow Loan Receivable:

	<u>2022</u>	<u>2021</u>
Fellow Loan Receivable	\$ -	\$ 6,760
Less: allowance for doubtful accounts	<u>-</u>	<u>(6,760)</u>
	<u>\$ -</u>	<u>\$ -</u>

5. Revenue Concentration

Concentration of revenue exists when the top few sources of revenue constitute a significant portion of the Organization’s total revenue. For the years ended December 31, 2022 and 2021, the top 5 grantors constituted \$1,805,000 or 40% and \$1,977,500 or 41% of the Organization’s contribution revenue.

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6. Risks and Uncertainties

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the Organization's investment balance reported in the statement of financial position.

7. Functional Expenses

The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, travel, payroll taxes and benefits, other program costs, meals, professional fees, occupancy, event costs, grants to fellows, offices supplies and expenses, dues and subscriptions, marketing, bad debt, amortization, insurance, telephone/internet, and shipping, which are allocated based on estimates of time and effort.

8. Employee Benefit Plan

The Organization maintains a safe harbor 401(k) plan (the "Plan") covering all eligible employees of the Organization. Participants may contribute up to 15% of eligible compensation annually to the Plan up to a maximum of \$20,500 and \$19,500 for the years 2022 and 2021, respectively. No matching contributions are currently offered by the Organization.

9. Related Party Transactions

Investments in VFA Create, LLC and VFA Create, INC.

The Organization sources funds for two for-profit entities for the purposes of hosting restricted funds to a specific program, Evergreen. All restricted funds are passed through the Organization and transferred to the investments. The investment pay the Organization a percentage of the total sourced funds as a sourcing fee. The value of the investments as of December 31, 2022 and 2021 is \$984,599 and are reported at cost.

During 2022, the Organization had no material related party transactions, other than those identified with VFA Create, Inc and VFA Create, LLC.

10. Website

Website costs consists of the following:

<u>Category</u>	<u>Estimated Useful Life</u>	<u>2022</u>	<u>2021</u>
Website	5 years	\$ 249,928	\$ 249,928
Less: accumulated amortization		<u>(210,452)</u>	<u>(180,845)</u>
Website, net		<u>\$ 39,476</u>	<u>\$ 69,083</u>

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11. Restricted Net Assets

Restricted net assets activities for the year ended December 31, 2022 consisted of:

<u>Restriction</u>	<u>December 31, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2022</u>
Purpose				
Evergreen	\$ 1,109,599	\$ -	\$ -	\$ 1,109,599
Accelerator		12,500	(12,500)	-
Rise, Redux, Reunion Program		171,500	(171,500)	-
Entrepreneurship		250,000	(250,000)	-
Venture Catalyst Awards		50,000	(50,000)	-
Training Camp		252,500	(252,500)	-
Detroit Demo Day		66,000	(66,000)	-
Detroit Selection Day		47,000	(47,000)	-
Fellow Relocation		50,000	(50,000)	-
CVC Awards		40,000	(40,000)	-
2019 Class Event	50,000	-	-	50,000
Charlotte Welcome Weekend	1,350	-	-	1,350
Location				
Birmingham		169,175	(169,175)	-
Detroit		700,500	(700,500)	-
San Antonio		89,000	(87,000)	2,000
Tulsa		190,000	(190,000)	-
New Orleans		15,000	(15,000)	-
Baltimore		260,000	(260,000)	-
Kansas City		150,000	(150,000)	-
St. Louis		7,986	(7,986)	-
Philadelphia		150,000	(150,000)	-
Time Restricted	<u>530,000</u>	<u>-</u>	<u>(530,000)</u>	<u>-</u>
 Total	 <u>\$ 1,690,949</u>	 <u>\$2,671,161</u>	 <u>\$(3,199,161)</u>	 <u>\$ 1,162,949</u>

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12. Commitments and Contingencies

Office Lease: In July 2022, the Organization terminated its lease agreed for the office space located at 307 Seventh Avenue, New York, NY. The agreement was from December 16, 2018, to November 15, 2023. The Organization paid a total of \$189,875 to terminate the lease agreement. Rental expense approximated \$145,000 for the year ended December 31, 2022 and 2021. The Organization currently rents office space on a month-to-month basis.

13. Line of Credit

As of December 31, 2022 and 2021, the Organization maintained a line of credit agreement with a bank to provide borrowings up to \$750,000 with a maturity date of July 31, 2023. The Credit Facility will bear interest at a variable rate equal to the Prime Rate + 0.25%. Interest is computed on the basis of actual number of days elapsed in a year of 360 day. As of December 31, 2022 and 2021, the outstanding balance on this line of credit was \$660,000 and \$0, respectively. The Organization is not in compliance with the financial covenants.

The Organization has made the final drawdown on the line of credit of \$90,000 which have reached the maximum amount available for borrowings of \$750,000.

14. Employee Retention Credit

For 2020 and 2021, the Organization was eligible for Employee Retention Credits (ERC) under the Cares Act, which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The Organization qualified for the tax credit and expects to receive credits in the amount of \$848,094. As of December 31, 2022, the Organization has recorded a receivable on the statements of financial position and as other income on the statements of activities.

15. Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's goal is generally to maintain financial assets to meet twelve months of operating expenses. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, short-term investments on hand, and maintains a line of credit to provided borrowings up to \$750,000 to meet cash flow needs (see Note 13).

For purposes of analyzing resources available to meet general expenses over a twelve-month period, the Organization considers all expenses related to its ongoing activities and those activities to be general expenses.

In addition to financial assets available to meet general expenses over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows net change in operating activities for fiscal year 2022.

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15. Liquidity (continued)

As of December 31, 2022, the following tables show the total financial assets held by the Organization and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenses:

Financial assets at year end:	
Cash and cash equivalents	\$ 336,389
Accounts Receivable	251,412
Investments	<u>945,918</u>
Total financial assets	1,533,719
Less: net assets with donor restrictions	<u>(1,162,949)</u>
Total assets available for general expenses	<u>\$ 370,770</u>

16. Subsequent Events

The Organization has evaluated subsequent events through June 14, 2023, the date on which the financial statements were available to be issued.