

VENTURES

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2019 AND 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ventures
Seattle, Washington

We have audited the accompanying financial statements of Ventures (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Ventures as of December 31, 2019 and 2018, 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.

Prior Period Adjustment

As discussed in Note 15 to the financial statements, during the year ended December 31, 2019, certain transactions were analyzed and it was determined that these should be recognized differently in the year ended December 31, 2018. Accordingly, amounts recorded for IDA matching funds payable and net assets have been restated in the December 31, 2018 financial statements now presented. Our opinion is not modified with respect to this matter.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
November 14, 2020

VENTURES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,261,616	\$ 1,182,550
Cash - microloan revolving account	116,905	75,077
Cash - restricted for IDA program	36,801	84,108
Loans receivable	131,983	106,441
Loan loss reserve fund	63,001	33,439
Government grants receivable	140,643	79,675
Contributions receivable	125,000	332,250
Prepaid expenses and other	6,636	7,231
Total current assets	1,882,585	1,900,771
Loans receivable, long-term, net	133,378	108,825
Contributions receivable, long-term	5,000	-
Property and equipment, net	67,463	73,444
	\$ 2,088,426	\$ 2,083,040
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 63,724	\$ 13,191
Accrued payroll and related liabilities	90,055	74,161
Group fund deposits	1,175	1,175
IDA matching funds payable	26,608	73,917
Notes payable	30,455	30,713
Total current liabilities	212,017	193,157
Notes payable, long-term	238,944	206,102
Total liabilities	450,961	399,259
 NET ASSETS		
Without donor restrictions		
Undesignated	849,707	968,202
Board designated operating reserve	337,137	257,170
	1,186,844	1,225,372
With donor restrictions		
	450,621	458,409
	1,637,465	1,683,781
	\$ 2,088,426	\$ 2,083,040

VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 393,649	\$ -	\$ 393,649
Contributions	768,948	354,115	1,123,063
In-kind contributions	6,454	-	6,454
Retail service fees	144,726	-	144,726
Program fees	76,390	-	76,390
Investment return and other income	19,096	-	19,096
	<u>1,409,263</u>	<u>354,115</u>	<u>1,763,378</u>
Net assets released from restriction			
Satisfaction of purpose restrictions	336,903	(336,903)	-
Satisfaction of time restrictions	25,000	(25,000)	-
	<u>1,771,166</u>	<u>(7,788)</u>	<u>1,763,378</u>
EXPENSES			
Program	1,394,069	-	1,394,069
Management and general	228,573	-	228,573
Fundraising	187,052	-	187,052
Total expenses	<u>1,809,694</u>	<u>-</u>	<u>1,809,694</u>
CHANGE IN NET ASSETS	(38,528)	(7,788)	(46,316)
NET ASSETS			
Beginning of the year	<u>1,225,372</u>	<u>458,409</u>	<u>1,683,781</u>
End of the year	<u>\$ 1,186,844</u>	<u>\$ 450,621</u>	<u>\$ 1,637,465</u>

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STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 425,275	\$ -	\$ 425,275
Contributions	713,938	297,917	1,011,855
In-kind contributions	24,218	-	24,218
Retail service fees	147,319	-	147,319
Program fees	47,008	-	47,008
Investment return and other income	26,310	-	26,310
	<u>1,384,068</u>	<u>297,917</u>	<u>1,681,985</u>
Net assets released from restriction			
Satisfaction of purpose restrictions	282,333	(282,333)	-
Satisfaction of time restrictions	250,000	(250,000)	-
	<u>1,916,401</u>	<u>(234,416)</u>	<u>1,681,985</u>
EXPENSES			
Program	1,252,821	-	1,252,821
Management and general	204,264	-	204,264
Fundraising	199,410	-	199,410
Total expenses	<u>1,656,495</u>	<u>-</u>	<u>1,656,495</u>
CHANGE IN NET ASSETS	259,906	(234,416)	25,490
NET ASSETS			
Beginning of the year	1,023,656	692,825	1,716,481
Prior period adjustment	(58,190)	-	(58,190)
Beginning of the year, restated	<u>965,466</u>	<u>692,825</u>	<u>1,658,291</u>
End of the year	<u>\$ 1,225,372</u>	<u>\$ 458,409</u>	<u>\$ 1,683,781</u>

VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Support Services		
	Core Training	Core Incubation	Capital	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 547,268	\$ 114,535	\$ 208,072	\$ 869,875	\$ 75,399	\$ 106,505	\$1,051,779
Payroll taxes and benefits	107,427	22,483	40,844	170,754	25,805	20,907	217,466
	654,695	137,018	248,916	1,040,629	101,204	127,412	1,269,245
Professional and contract	75,446	17,045	1,323	93,814	80,031	13,688	187,533
Facilities	22,592	62,507	10	85,109	17,230	2,085	104,424
Program supplies	17,945	22,681	5,354	45,980	1,378	6,252	53,610
Communications	10,982	2,298	34,845	48,125	1,514	2,137	51,776
Office supplies and equipment	20,710	6,225	2,913	29,848	12,337	7,208	49,393
Fundraising	8,313	-	-	8,313	900	8,604	17,817
Professional development	-	-	538	538	2,700	12,635	15,873
Miscellaneous	7,000	146	246	7,392	6,664	879	14,935
Depreciation	8,867	-	-	8,867	2,534	1,267	12,668
Bank charges and credit card fees	602	6,656	16	7,274	6	2,091	9,371
Travel and entertainment	3,201	1,211	516	4,928	976	2,073	7,977
Insurance	3,703	775	1,408	5,886	510	721	7,117
Interest	-	-	3,752	3,752	291	-	4,043
State and local taxes	1,575	2,039	-	3,614	298	-	3,912
	\$ 835,631	\$ 258,601	\$ 299,837	\$ 1,394,069	\$ 228,573	\$ 187,052	\$1,809,694

See accompanying notes to financial statements.

VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Support Services		
	Core Training	Core Incubation	Capital	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 415,152	\$ 105,266	\$ 293,034	\$ 813,452	\$ 72,260	\$ 103,685	\$ 989,397
Payroll taxes and benefits	90,668	22,537	65,233	178,438	15,456	23,734	217,628
	505,820	127,803	358,267	991,890	87,716	127,419	1,207,025
Professional and contract	48,321	4,341	6,785	59,447	48,974	12,679	121,100
Facilities	25,754	49,456	13	75,223	26,079	1,877	103,179
Program supplies	15,178	2,091	3,391	20,660	2,314	1,539	24,513
Communications	5,063	10,114	10,214	25,391	5,810	4,363	35,564
Office supplies and equipment	2,632	5,672	2,756	11,060	19,556	4,411	35,027
Fundraising	652	2,128	-	2,780	-	29,033	31,813
Professional development	2,967	1,629	4,124	8,720	7,877	12,213	28,810
Miscellaneous	14,300	9	3,143	17,452	220	-	17,672
Depreciation	14,884	-	-	14,884	1,722	1,435	18,041
Bank charges and credit card fees	155	7,507	4	7,666	-	1,753	9,419
Travel and entertainment	3,375	1,963	1,622	6,960	-	2,217	9,177
Insurance	3,324	1,401	368	5,093	1,691	405	7,189
Interest	-	145	2,743	2,888	1,050	-	3,938
State and local taxes	581	2,126	-	2,707	1,255	66	4,028
	<u>\$ 643,006</u>	<u>\$ 216,385</u>	<u>\$ 393,430</u>	<u>\$ 1,252,821</u>	<u>\$ 204,264</u>	<u>\$ 199,410</u>	<u>\$ 1,656,495</u>

See accompanying notes to financial statements.

VENTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions, and fees	\$ 1,879,110	\$ 1,745,769
Cash received from interest and other income	19,096	20,688
Cash paid to employees and suppliers	(1,770,859)	(1,629,720)
	127,347	136,737
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,687)	(17,686)
Proceeds from sale of food truck	-	29,000
Sales of investments	-	20,492
Net (increase) in loans receivable	(50,095)	(146,097)
	(56,782)	(114,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(22,416)	(28,786)
Proceeds from issuance of notes payable	55,000	45,000
	32,584	16,214
NET CHANGE IN CASH AND CASH EQUIVALENTS	103,149	38,660
CASH AND CASH EQUIVALENTS		
Beginning of the year	1,375,174	1,336,514
End of the year	\$ 1,478,323	\$ 1,375,174

VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Ventures (the Organization) is a Washington non-profit corporation incorporated in 1995. The mission of the Organization is to provide the business training, supportive community and capital to help enterprising individuals with limited financial resources gain self-sufficiency through small business ownership.

Basis of Accounting and Presentation – The financial statements of the School have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. There were no net assets with donor-imposed restrictions that are perpetual in nature at December 31, 2019 and 2018.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2019 and 2018, cash and cash equivalents consist of checking, savings and money market accounts. At times, cash and cash equivalents may exceed federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Loans Receivable and Loan Loss Reserve Fund – The Organization offers loans to its program participants, which are made up of low-income individuals. Loans are held for investment and are reported at the principal amount outstanding. Allowances for estimated losses for participant loans are established based on a credit quality indicator determined based on repayment status and delinquency status. Loan balances are written off only when they are deemed to be permanently uncollectible. The funds held for loan loss reserve are maintained in cash equivalents.

Government Grants Receivable – Government grants receivable includes amounts due from government agencies and are due within one year. No allowance for uncollectible balances has been established by management based upon the Organization's historical experience in the collection of balances due.

VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Contributions Receivable – Contributions receivable from foundations and other grantors are recognized as revenues or gains in the period to which they are committed and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledge becomes unconditional. No discount for contributions receivable that are expected to be collected in more than one year has been recorded by management as the amount is deemed insignificant to the financial statements as a whole. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.

Property and Equipment – Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of 3 to 15 years. The Organization follows a policy whereby it capitalizes purchases of property and equipment over \$1,000 that provides future benefits over a period longer than one year.

Group Fund Deposits – Group fund deposits represent the liability for the deposits made by members of the Business Group program.

IDA Matching Funds Payable and Cash Restricted for IDA Program – IDA matching funds payable represents amounts received from government agencies to match amounts saved by individuals participating in the Assets for Independence/Individual Development Accounts program. Funds are held in a separate cash account which includes government funding as well as certain funds set aside by the Organization to be used in the match.

Revenue Recognition – Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue from government grants and contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustments made by the funding agencies. There were no adjustments resulting from government audits during the years ended December 31, 2019 and 2018. Amounts received in advance are deferred to the applicable period in which the related expenditures incurred.

Program and retail service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

The Organization operates a consignment store for its program participants. The Organization recognizes retail service fees revenue based on a percentage of the sales price when products are sold at point of sale and the title and risk of loss for products has passed to the customer.

VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued) -

Revenue from performed obligations satisfied over time consists of program fees. For related performance obligations, control transfers to the customer over a period of time. Payment is typically due in full prior to classes starting, the contract does not have significant financing component, and the consideration amount is not variable. As such, the Organization records revenue over the period services are performed.

Revenue from performance obligations satisfied at a point in time primarily consists of retail service fees. For related performance obligations, control transfers to the customer at a point in time. Payment is due in full when goods are transferred to the customer, the contract does not have a significant financing component, and the consideration amount is not variable. The Organization records revenue when the sale occurs.

In-kind Contributions – Donated goods and facilities are recorded as revenue at the estimated fair value at the date of donation. Donated services are recognized as revenue and corresponding expense at their estimated fair value when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Expense Allocation – The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort spent.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Reclassifications – Certain reclassifications have been made previously reported have been made to the accompanying financial statements to maintain consistency between period presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncements – The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASUs) that will affect the Organization’s revenue recognition.

VENTURES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)–

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently-issued clarifying ASUs, replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 effective January 1, 2019, using the modified retrospective approach. There was no cumulative effect from the initial application recognized as an adjustment to opening net assets as a result of the adoption, and the adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance in evaluating whether transactions should be accounted for as nonexchange or exchange transactions. In addition, ASU 2018-08 provides guidance for the identification and recognition of conditional nonexchange transactions. The Organization adopted ASU 2018-08 effective January 1, 2019, using the modified prospective approach. The adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

Note 2 – Liquidity and Availability

Financial assets are available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 1,478,323	\$ 1,375,174
Government grants and contributions receivable	270,643	411,925
Loans receivable	265,361	215,266
Total financial assets	2,014,327	2,002,365
Less those unavailable for general expenditures within one year:		
Cash restricted for microloans and IDA program	(153,706)	(159,185)
Cash restricted for loan loss reserve	(63,001)	(33,439)
Receivables to be collected beyond one year	(183,992)	(123,769)
Board reserve fund (unavailable without Board approval)	(337,137)	(257,170)
Financial assets available within one year	\$ 1,276,491	\$ 1,428,802

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 – Liquidity and Availability (continued)

The Organization’s cash flow fluctuates depending on timing of fundraising efforts, program delivery, grant award timing and major donor cultivation cycles. A pro forma cash flow is presented to the Ventures Finance Committee and Board monthly, as well as current, available cash. Liquidity is monitored by the Associate Director and Controller. The Organization has a Board Designated Reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The Organization also has a \$200,000 line of credit that could be drawn upon in the event of an unanticipated liquidity need.

Note 3 – Loans Receivable

Substantially all loans are unsecured. The loans receivable that result from the loans made with funds provided by the U.S. Small Business Administration (SBA) are subject to security interest in favor of the SBA. Loans are made to low income individuals to start their own businesses. Interest rates are variable. Start-up loans are funded by the SBA and U.S. Bancorp Community Development Corporation. Loans receivable consist of the following at December 31:

	2019	2018
Loans receivable in one year or less	\$ 131,983	\$ 106,441
Loans receivable in more than one year	178,992	123,769
Less loan loss reserve allowance	(45,614)	(14,944)
	\$ 265,361	\$ 215,266

There were \$213 and \$3,143 of loans charged off against the allowance, and provision made to the allowance, during the years ended December 31, 2019 and 2018, respectively. There were three loans over 30 days past due at December 31, 2019 totaling \$7,851. Subsequent payments have been received. There were no loans over 30 days past due at December 31, 2018. No loans have been placed in nonaccrual status, or identified as impaired or troubled debt restructured loans.

Note 4 – Contributions Receivable

Contributions receivable consist of the following at December 31:

	2019	2018
Receivables due in less than one year	\$ 125,000	\$ 332,250
Receivables due in one to five years	5,000	-
	\$ 130,000	\$ 332,250

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NOTES TO FINANCIAL STATEMENTS
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Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018
Furniture and equipment	\$ 228,117	\$ 221,430
Leasehold improvements	62,451	62,451
Less accumulated depreciation	(223,105)	(210,437)
	<u>\$ 67,463</u>	<u>\$ 73,444</u>

Note 6 – Notes Payable

Notes payable consist of the following at December 31:

	2019	2018
U.S. Small Business Administration:		
Note payable with award of \$100,000 dated October 2012, due in monthly installments of \$993, and non-interest bearing. Secured by microloan program. The note matures in December 2022.	38,889	50,805
Note payable with award of \$100,000 dated August 2015, due in monthly installments of \$648. Interest accrues at a base rate of 1.625%, subject to certain reductions. Secured by microloan program. The note matures in August 2025.	49,179	56,010
Note payable with award of up to \$100,000 dated July 2018, due in monthly installments of \$955. Interest accrues at a base rate of 2.625%, subject to certain reductions. Secured by microloan program. The note matures in July 2028.	96,331	45,000
Plymouth Congregational Church:		
Unsecured note payable with an original balance \$85,000 dated June 2011, including interest at 2% due quarterly with a balloon payment at maturity of March 2022.	85,000	85,000
	<u>\$ 269,399</u>	<u>\$ 236,815</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 6 – Notes Payable (continued)

Principal payments on notes payable are scheduled as follows for the years ending December 31:

2020	\$	30,455
2021		30,571
2022		118,830
2023		18,893
2024		19,387
Thereafter		51,263
		\$ 269,399

The U.S. Small Business Administration (SBA) notes payable include the following requirements:

- a. a non-drawn, non-federal source of cash matching contribution of 15 percent of the amount of the disbursement requested,
- b. a loan loss reserve fund established and maintained at a minimum of 15 percent of the total outstanding principal amount due on all microloan notes receivable in a segregated bank account,
- c. a microloan revolving fund established in a segregated bank account.

The SBA notes payable are collateralized by a security interest in all funds held in the Microloan Revolving Fund, all funds held in the Loan Loss Reserve Fund and all microloan notes receivable from funds disbursed from funds received from the SBA.

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions are composed of the following restrictions at December 31:

	2019	2018
Micro-business incubation expansion and replication	\$ 425,621	\$ 297,917
For use in subsequent years	25,000	-
Fundraising capacity	-	160,492
	\$ 450,621	\$ 458,409

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 8 – In-Kind Contributions

In-kind contributions are composed of the following for the years ended December 31:

	2019	2018
Goods and supplies	\$ 6,454	\$ 7,343
Professional and contract services	-	14,375
Facilities	-	2,500
	\$ 6,454	\$ 24,218

Note 9 – Lease Commitments

The Organization leases equipment, and office and retail space, with various terms through December 2022. Retail space terms include a base rent and/or additional rents based on a percentage of sales. Total rent expense (including additional rents for percentages of sales, common area charges, utilities, and other month to month leases) totaled \$104,424 and \$103,179 for the years ended December 31, 2019 and 2018 respectively. Future minimum lease payments (excluding percentage-based rents as amounts are indeterminable) are as follows for the years ending December 31:

2020	\$ 46,460
2021	45,035
2022	16,174
	\$ 107,669

Note 10 – Line of Credit

The Organization has a \$200,000 unsecured line of credit payable to a financial institution that renews each year in December. The line of credit charges variable interest. The Organization has no outstanding borrowings against this line of credit at December 31, 2019 and 2018.

Note 11 – Retirement Plan

The Organization established a discretionary defined contribution retirement plan qualified under Section 403(b) of the Internal Revenue Code for all full and part-time office employees. Employees are eligible on the first of the month following their date of hire unless the date of hire is the first of the month, in which case they are eligible on the date of hire. The Organization contributed \$23,366 and \$18,168 to the plan during the years ended December 31, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 12 – Concentrations

At December 31, 2019, 55% of government grants receivable was due from one government agency, and 82% of contributions receivable was due from one donor. At December 31, 2018, 67% of government grants receivable was due from one government agency, and 83% of contributions receivable was due from two donors.

During the year ended December 31, 2019, 31% of total support and revenue was received from one donor. During the year ended December 31, 2018, 21% of total support and revenue was received from one donor.

Note 13 – Conditional Contributions

In 2017, 2018 and 2019, the Organization received conditional government grant awards totaling \$1,054,961. The grants are contingent on billings submitted for reimbursement. The Organization recognized \$573,075 in revenues through the year ending December 31, 2018 related to these awards. The Organization recognized \$378,642 of the government grants for the year ending December 31, 2019. The \$103,244 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met. Payments are expected in fiscal years 2020 and 2021.

Note 14 – Subsequent Activity

Subsequent events were evaluated through November 14, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. The extent of the impact of COVID-19 on the Organizations' operations will depend on certain developments, including the duration and spread of the outbreak and the impact to clients and employees, all of which are uncertain and cannot be determined.

The Organization is expecting a decline in sales from the retail store, program fees revenue and individual donations due to the COVID-related downturn. The Organization pivoted operations quickly and minimized operation expenses by closing the retail store April 1, not filling staff vacancies and being conservative with spending. The Organization's loan portfolio exposure is supported by CARES act funding for SBA microloan payments for 6 months and non-SBA loans are being paid for by grant funding through September 30, 2020. The Organization was approved for a \$200,000 SBA microloan at 0.375% for 10 years to provide loan funding for the microloan program.

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Note 14 – Subsequent Activity (continued)

Grants and government contract revenue is expected to increase to cover remaining operation and programmatic expenses to cover the shortfall in revenue. The Organization received a \$203,822 loan through the US Small Business Administration’s (SBA) Paycheck Protection Program (PPP). The SBA PPP loan has a maturity date of April 17, 2022 and an interest rate of 1%. Under the terms of the PPP, a portion of or the entire balance of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Note 15 – Prior Period Adjustment

In 2019, the Organization was winding down the IDA program. In doing so, the Organization uncovered a significant adjustment in the valuation of IDA matching funds payable at December 31, 2018. Accordingly, adjustments were recorded in the prior year balances as follows:

	Unadjusted Balance	Prior Period Adjustment	Adjusted Balance
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
IDA matching funds payable	\$ 15,727	\$ 58,190	\$ 73,917
 Net assets without donor restrictions			
Beginning of the year, undesignated	\$ 1,023,656	\$ (58,190)	\$ 965,466
End of the year, undesignated	\$ 1,283,562	\$ (58,190)	\$ 1,225,372