

VENTURES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2022 AND 2021



VENTURES
FINANCIAL STATEMENTS
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TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2 - 3
STATEMENTS OF FINANCIAL POSITION	
December 31, 2022 and 2021	4
STATEMENTS OF ACTIVITIES	
Years ended December 31, 2022 and 2021	5
STATEMENTS OF FUNCTIONAL EXPENSES	
Year ended December 31, 2022	6
Year ended December 31, 2021	7
STATEMENTS OF CASH FLOWS	
Years ended December 31, 2022 and 2021	8
NOTES TO FINANCIAL STATEMENTS	9 - 18

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ventures
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Ventures (a nonprofit corporation), 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 Ventures 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ventures 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ventures 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 Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and 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 audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ventures internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ventures ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
August 11, 2023

VENTURES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 2,095,778	\$ 2,699,612
Cash - microloan revolving account	357,966	332,282
Cash - loan loss reserve fund	377,417	310,968
	<u>2,831,161</u>	<u>3,342,862</u>
Government grants receivable	178,240	103,994
Contributions receivable	280,000	140,360
Loans receivable	115,582	137,188
Commercial rent receivable	43,284	15,109
Prepaid expenses and other	31,910	10,069
	<u>3,480,177</u>	<u>3,749,582</u>
Right-of-use assets - operating leases	259,626	-
Loans receivable, net of current portion	97	19,997
Contributions receivable, net of current portion	112,263	235,356
Property and equipment, net	58,337	57,682
	<u>\$ 3,910,500</u>	<u>\$ 4,062,617</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable and accrued expenses	\$ 52,408	\$ 28,152
Accrued payroll liabilities	111,063	91,490
Current portion operating lease liabilities	96,986	-
Group fund deposits	-	1,175
Refundable advance	-	178,316
Current portion of notes payable	24,871	37,025
	<u>285,328</u>	<u>336,158</u>
Long-term operating lease liabilities, net of current portion	175,492	-
Notes Payable, net of current portion	466,242	480,948
	<u>927,062</u>	<u>817,106</u>
Net Assets		
Without donor restrictions		
Undesignated	1,497,008	1,627,469
Board-designated operating reserve	1,080,708	709,483
	<u>2,577,716</u>	<u>2,336,952</u>
With donor restrictions	405,722	908,559
	<u>2,983,438</u>	<u>3,245,511</u>
	<u>\$ 3,910,500</u>	<u>\$ 4,062,617</u>

See notes to financial statements.

VENTURES

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Grants from government agencies	\$ 838,794	\$ -	\$ 838,794	\$ 648,473	\$ -	\$ 648,473
Contributions	1,418,252	272,500	1,690,752	1,181,796	682,500	1,864,296
In-kind contributions	117	-	117	24,182	-	24,182
Total Support	<u>2,257,163</u>	<u>272,500</u>	<u>2,529,663</u>	<u>1,854,451</u>	<u>682,500</u>	<u>2,536,951</u>
Revenue						
Retail service fees	46,192		46,192	59,602		59,602
Program fees	14,609		14,609	17,286		17,286
Rental income	61,188		61,188	37,336		37,336
PPP loan forgiveness	-		-	203,822		203,822
Interest and other income	6,261		6,261	10,611		10,611
Total Revenue	<u>128,250</u>		<u>128,250</u>	<u>328,657</u>		<u>328,657</u>
Total Support and Revenue	<u>2,385,413</u>	<u>272,500</u>	<u>2,657,913</u>	<u>2,183,108</u>	<u>682,500</u>	<u>2,865,608</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	262,837	(262,837)	-	353,941	(353,941)	-
Satisfaction of time restrictions	512,500	(512,500)	-	285,000	(285,000)	-
Total Net Assets Released from Restrictions	<u>775,337</u>	<u>(775,337)</u>	<u>-</u>	<u>638,941</u>	<u>(638,941)</u>	<u>-</u>
Total Support, Revenue and Other Support	<u>3,160,750</u>	<u>(502,837)</u>	<u>2,657,913</u>	<u>2,822,049</u>	<u>43,559</u>	<u>2,865,608</u>
Expenses						
Program services	2,140,548		2,140,548	1,601,017		1,601,017
Management and general	387,725		387,725	205,287		205,287
Fundraising	391,713		391,713	400,416		400,416
Total Expenses	<u>2,919,986</u>		<u>2,919,986</u>	<u>2,206,720</u>		<u>2,206,720</u>
Change in Net Assets	240,764	(502,837)	(262,073)	615,329	43,559	658,888
Net Assets - Beginning of Year	<u>2,336,952</u>	<u>908,559</u>	<u>3,245,511</u>	<u>1,721,623</u>	<u>865,000</u>	<u>2,586,623</u>
Net Asset - End of Year	<u>\$ 2,577,716</u>	<u>\$ 405,722</u>	<u>\$ 2,983,438</u>	<u>\$ 2,336,952</u>	<u>\$ 908,559</u>	<u>\$ 3,245,511</u>

VENTURES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Core <u>Training</u>	Core <u>Incubation</u>	<u>Capital</u>	Total Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 479,599	\$ 304,712	\$ 408,536	\$ 1,192,847	\$ 232,036	\$ 224,189	\$ 1,649,072
Payroll taxes and benefits	107,016	70,114	92,255	269,385	47,973	51,663	369,021
	<u>586,615</u>	<u>374,826</u>	<u>500,791</u>	<u>1,462,232</u>	<u>280,009</u>	<u>275,852</u>	<u>2,018,093</u>
Professional and contract Facilities	108,845	2,180	67,659	178,684	64,092	69,922	312,698
	17,998	117,845	22,203	158,046	4,431	3,965	166,442
Grants to others	18,600	-	144,799	163,399	-	-	163,399
Office supplies and equipment	9,038	5,767	14,308	29,113	13,810	9,057	51,980
Program supplies	34,163	1,928	5,272	41,363	141	1,103	42,607
Professional development	12,228	515	10,072	22,815	7,646	5,400	35,861
Depreciation	17,086	-	-	17,086	2,136	2,136	21,358
Communications	5,775	3,333	5,430	14,538	4,416	2,009	20,963
Miscellaneous	3,207	384	4,220	7,811	6,968	5,356	20,135
Fundraising	8,890	-	-	8,890	-	9,956	18,846
Interest	-	43	15,306	15,349	50	-	15,399
Travel	7,484	3	1,776	9,263	-	4,003	13,266
Insurance	1,650	1,200	2,900	5,750	4,026	1,250	11,026
Bank charges and credit card fees	845	2,639	6	3,490	-	1,704	5,194
State and local taxes	661	2,058	-	2,719	-	-	2,719
	<u>833,085</u>	<u>512,721</u>	<u>794,742</u>	<u>2,140,548</u>	<u>387,725</u>	<u>391,713</u>	<u>2,919,986</u>
Total Expenses	\$	\$	\$	\$	\$	\$	\$

VENTURES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Core <u>Training</u>	Core <u>Incubation</u>	<u>Capital</u>	Total Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 468,037	\$ 221,219	\$ 139,177	\$ 828,433	\$ 106,161	\$ 226,723	\$ 1,161,317
Payroll taxes and benefits	104,881	49,111	30,897	184,889	23,568	50,332	258,789
	<u>572,918</u>	<u>270,330</u>	<u>170,074</u>	<u>1,013,322</u>	<u>129,729</u>	<u>277,055</u>	<u>1,420,106</u>
Professional and contract	98,033	11,493	66,422	175,948	29,841	67,268	273,057
Facilities	38,776	45,115	10,280	94,171	7,992	-	102,163
Grants to others	18,600	-	195,547	214,147	-	-	214,147
Office supplies and equipment	11,730	4,838	13,410	29,978	15,942	5,955	51,875
Program supplies	985	3,922	15,896	20,803	2,691	23,500	46,994
Professional development	-	-	-	-	3,765	315	4,080
Depreciation	10,166	-	-	10,166	2,905	1,452	14,523
Communications	3,601	3,981	3,314	10,896	3,067	1,780	15,743
Miscellaneous	56	87	820	963	7,745	6,877	15,585
Fundraising	-	-	-	-	-	7,233	7,233
Interest	-	-	15,009	15,009	-	-	15,009
Travel	-	-	1,895	1,895	88	7,763	9,746
Insurance	2,023	2,613	3,034	7,670	1,450	575	9,695
Bank charges and credit card fees	187	1,689	2,749	4,625	-	643	5,268
State and local taxes	543	670	211	1,424	72	-	1,496
Total Expenses	<u>\$ 757,618</u>	<u>\$ 344,738</u>	<u>\$ 498,661</u>	<u>\$ 1,601,017</u>	<u>\$ 205,287</u>	<u>\$ 400,416</u>	<u>\$ 2,206,720</u>

VENTURES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 1,674,205	\$ 2,112,694
Government agencies	586,232	851,975
Revenue	100,075	288,042
Cash paid to:		
Personnel	(1,999,695)	(1,406,857)
Grant recipients	(160,842)	(214,147)
Vendors	(660,851)	(521,410)
Interest	<u>(4,835)</u>	<u>(4,959)</u>
Net Cash (Used) Provided by Operating Activities	<u>(465,711)</u>	<u>1,105,338</u>
Cash Flows from Investing Activities		
Proceeds from repayment of loans receivable	171,756	139,401
Issuance of loans receivable	(158,309)	(107,506)
Purchases of property and equipment	<u>(22,013)</u>	<u>(18,425)</u>
Net Cash (Used) Provided by Investing Activities	<u>(8,566)</u>	<u>13,470</u>
Cash Flows from Financing Activities		
Repayments on long-term debt	<u>(37,424)</u>	<u>(33,501)</u>
Changes in Cash and Cash Equivalents	(511,701)	1,085,307
Cash and Cash Equivalents - beginning of year	<u>3,342,862</u>	<u>2,257,555</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,831,161</u>	<u>\$ 3,342,862</u>

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Ventures is a Seattle-based nonprofit that empowers aspiring entrepreneurs with limited resources and unlimited potential. Ventures provides access to business training, capital, coaching, and hands-on learning opportunities for entrepreneurs. Ventures serves those in our community for whom traditional business development services are out of reach, with a focus on women, people of color, immigrants, and individuals with low income. The ultimate goal is to support individuals to increase their income potential, achieve long-term financial stability, provide for their families, and enrich their communities through small business ownership. Ventures is a Washington nonprofit corporation incorporated in 1995.

Adoption of accounting principle

On January 1, 2022, Ventures adopted ASU 2016-02, Leases (Topic 842). This standard requires lessees to recognize a right of use asset and a lease liability for material lease arrangements. Ventures used a modified retrospective approach and elected the effective method for implementation. Under the effective method, Ventures reports leases under the new guidance as of the date of implementation and presents leases under the previous guidance (ASC 840) for comparative periods.

Basis of Accounting and Presentation

The financial statements of Ventures 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. Net assets with donor restrictions are composed of the following restrictions at December 31:

	<u>2022</u>	<u>2021</u>
For use in subsequent years	\$ 387,500	\$ 677,500
Advocacy	18,222	88,596
Training	-	117,463
Pandemic small business support	-	25,000
	<u>\$ 405,722</u>	<u>\$ 908,559</u>

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ventures 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 support 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 as net assets released from restriction.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Ventures considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2022 and 2021, cash and cash equivalents consist of checking, savings and money market accounts. At times, cash and cash equivalents may exceed federally insured limits. Ventures has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair Value Measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Ventures had no assets or liabilities carried at fair value on a recurring basis. Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. Ventures also uses fair value concepts to test various long-lived assets for impairment.

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Microloan Revolving Account

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

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

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 Ventures' historical experience in the collection of balances due.

Contributions Receivable

Contributions receivable 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. Contributions receivable in more than one year are discounted to present value using a risk-free rate of return averaging 4.41% and 2% in December 31, 2022 and 2021, respectively. No allowance for uncollectible balances has been established by management based upon Ventures' historical experience in the collection of balances due. Contributions receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Receivables due in less than one year	\$ 280,000	\$ 140,360
Receivables due in one to five years	<u>137,500</u>	<u>250,000</u>
	417,500	390,360
Less: discount to present value	<u>(25,237)</u>	<u>(14,644)</u>
Total Unconditional Contributions Receivable	<u>\$ 392,263</u>	<u>\$ 375,716</u>

Loans Receivable and Loan Loss Reserve Fund

Ventures 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.

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the fair value at the date of donation. Depreciation is computed using the straight-line method over a period of 3 to 15 years. Ventures 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. Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 268,555	\$ 246,542
Leasehold improvements	62,451	62,451
Less: accumulated depreciation	<u>(272,669)</u>	<u>(251,311)</u>
	<u>\$ 58,337</u>	<u>\$ 57,682</u>

Group Fund Deposits

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

Discount on Notes Payable

Certain notes payable are considered below-market rate loans. As such, when the loan proceeds are advanced, Ventures records support and a loan discount for the difference between the stated rate and the estimated market rate. The notes are reported in the statements of financial position net of unamortized discounts. The discount on the notes payable is amortized to interest expense over the lives of the notes.

Support and Revenue Recognition

Ventures recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met.

Ventures' federal, state and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2022 and 2021, conditional contributions and grants for which no amounts had been received in advance totaling \$526,476 and \$762,500, respectively, have not been recognized in the accompanying financial statements.

Ventures operates a consignment store for its program participants. Ventures 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 buyers.

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (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, Ventures records revenue over the period services are performed.

In-kind Contributions

Donated goods and facilities are recorded as revenue at the fair value at the date of donation. Donated services are recognized as revenue and corresponding expense at their 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 Ventures. In-kind contributions for the years ended December 31, 2022 and 2021 of \$117 and \$24,182, respectively, represent donated goods.

Functional Allocation of Expenses

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Internal Revenue Service has recognized Ventures as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

NOTE B - LIQUIDITY AND AVAILABILITY

Ventures' 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.

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B - LIQUIDITY AND AVAILABILITY (Continued)

Liquidity is monitored by the Associate Director and Controller. Ventures 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. Ventures also has a \$200,000 line of credit that could be drawn upon in the event of an unanticipated liquidity need. Financial assets are available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 2,831,161	\$ 3,342,862
Government grants and contributions receivable	613,787	494,819
Loans receivable	<u>115,679</u>	<u>157,185</u>
Total financial assets	3,560,627	3,994,866
Less those unavailable for general expenditures within one year		
Cash restricted for microloans and IDA program	(357,966)	(332,282)
Cash restricted for loan loss reserve	(377,417)	(310,968)
Receivables to be collected beyond one year	(112,360)	(255,353)
Board reserve fund (unavailable without Board approval)	<u>(1,080,708)</u>	<u>(709,483)</u>
Financial assets available within one year	<u>\$ 1,632,176</u>	<u>\$ 2,386,780</u>

NOTE C - 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, Plymouth Congregational Church and Adrian Dominican Sisters. Loans receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Loans receivable in one year or less	\$ 115,582	\$ 137,188
Loans receivable in one year to five years	73,897	89,357
Loans receivable in more than five years	-	243
Less loan loss reserve allowance	<u>(73,800)</u>	<u>(69,603)</u>
	<u>\$ 115,679</u>	<u>\$ 157,185</u>

In 2022, Ventures launched forgivable loan pilot program to provide asset-based support to Ventures entrepreneurs who have participated in Ventures' Commercial Lease Pilot programs. As of December 2022, the outstanding balance is \$18,818 with 100% loan reserve allowance.

In 2020, the SBA provided debt relief to borrowers in the microloan programs as outlined in Section 1112 of the CARES Act. The SBA made loan payments directly to Ventures on behalf of borrowers that had loans funded by the SBA.

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE C - LOANS RECEIVABLE (Continued)

Ventures' borrowers with loans funded by sources other than the SBA were provided the loan debt relief with payments made on their behalf by Ventures' internal funds. Due to the loan debt relief, no loans were past due at December 31, 2021. There were \$2,487 and \$825 of loans charged off against the allowance during the years ended December 31, 2022 and 2021, respectively.

NOTE D - LEASE COMMITMENTS

Ventures has operating leases for office space. Management elected to apply the short-term lease exception under Topic 842, Leases; therefore, leases with an initial term of twelve months or less are not recorded in the statements of financial position. Ventures entered into one of its leases with the intent of assisting a small business owner in securing a business location. The business owner entered into a sub-leases agreement with Ventures under the same terms as the primary lease. Operating leases are included in Right of Use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represents Ventures' obligation to make lease payments arising from the lease. The discount rate represents Ventures' election of the risk-free rate. Nonlease components, such as payments required for common area maintenance, are not included in the lease liability and are expensed as incurred.

The components of the lease costs for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Operating lease costs	\$ 110,691	\$ 88,317
Supplemental cash flow information:		
Weighted-average remaining lease term	2.5 Years	
Weighted-average discount rate	5.25%	

Maturities of lease liabilities (excluding percentage - based rents as amounts are indeterminable) and future minimum sublease payments are as follows for the years ending December 31:

	<u>Lease</u>	<u>Expected</u>	<u>Net Lease</u>
	<u>Liabilities</u>	<u>Sublease</u>	<u>Commitments</u>
	<u>Payments</u>	<u>Payments</u>	<u>Commitments</u>
2023	\$ 108,060	\$ 72,360	\$ 35,700
2024	86,280	56,088	30,192
2025	56,484	56,484	-
2026	43,254	43,254	-
	<u>\$ 294,078</u>	<u>\$ 228,186</u>	<u>\$ 65,892</u>
Less: Present value discount	<u>(21,600)</u>		
	<u>\$ 272,478</u>		

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE D - LEASE COMMITMENTS (Continued)

Rental income under the sublease totaled \$61,188 and \$32,487 for the year ended December 31, 2022 and 2021, respectively.

NOTE E - NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
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.	\$ -	\$ 12,299
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.	27,914	35,123
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.	68,207	78,240
Note payable with award of up to \$200,000 dated June 2020, due in monthly installments of \$1,852. Interest accrues at a base rate of .375%, subject to certain reductions. Secured by microloan program. The note matures in June 2030.	62,500	70,833
Plymouth Congregational Church		
Unsecured note payable with an original balance of \$85,000 dated June 2011, including interest at 2% due quarterly with a balloon payment at maturity of March 2022. The principal balance was increased to \$115,000 effective July 2021.	115,000	115,000
Adrian Dominican Sisters		
Unsecured, non-interest-bearing note payable with an original balance of \$250,000 dated October 2020, with a balloon payment at maturity of October 2025.	<u>250,000</u>	<u>250,000</u>
	523,621	561,495
Less: Discount on below market-rate loans	(32,508)	(43,522)
Less: Current portion	<u>(24,871)</u>	<u>(37,025)</u>
	<u>\$ 466,242</u>	<u>\$ 480,948</u>

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE E - NOTES PAYABLE (Continued)

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

2023	\$	24,871
2024		25,015
2025		396,869
2026		18,235
2027		18,379
Thereafter		<u>40,252</u>
	\$	<u>523,621</u>

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 F - REFUNDABLE ADVANCES

In 2021, Ventures was awarded \$438,000 from Community Development Financial Institution (CDFI) to provide fund loans to small businesses and to provide development services. As of December 31, 2021, Ventures had received \$225,000 of this award but had not yet met the conditions for \$99,203 which is included in refundable advance. As of December 31, 2022, Ventures had met the conditions in refundable advance. The remaining \$213,000 which had not been received as of December 31, 2022 has not been recognized in the accompanying financial statements.

In addition, Ventures was also awarded a grant from Northwest Area Foundation (NWAFF) in the amount of \$750,000 to help advance economic from Covid-19 recovery. As of December 31, 2021, Ventures received \$250,000 of this award but had not yet met the conditions for \$79,113 which is included in refundable advance. However, Ventures has met the conditions for this remaining balance as of December 31, 2022 in addition to recognizing the second installment of \$250,000 which was received during 2022. The remaining \$250,000 which had not been received as of December 31, 2022 has not been recognized in the accompanying financial statements.

NOTE G - LINE OF CREDIT

Ventures has a \$200,000 unsecured line of credit payable to a financial institution that renews each year in April. The line of credit charges variable interest. Ventures has no outstanding borrowings against this line of credit at December 31, 2022 or 2021.

VENTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE H - RETIREMENT PLAN

Ventures 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. Ventures contributed \$48,941 and \$29,331 to the plan during the years ended December 31, 2022 and 2021, respectively.

NOTE I - CONCENTRATIONS

For the year ended December 31, 2022, 77% of government grants receivable was due from one government agency, and 60% of contributions receivable was due from one donor. For the year ended December 31, 2021, 98% of government grants receivable was due from one government agency, and 96% of contributions receivable was due from one donor.

NOTE J - PAYCHECK PROTECTION PROGRAM

In April 2020, Ventures received a Paycheck Protection Program ("PPP") loan through United Business Bank in the amount of \$203,822. The loan was funded on April 17, 2020 and has a maturity date of April 17, 2022. In September 2021, Ventures received notification that its PPP loan was forgiven in full.

NOTE K - SUBSEQUENT ACTIVITY

Management has evaluated events occurring subsequent to December 31, 2022 through August 11, 2023, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2022, including the estimates inherent in the processing of financial statements.