

**VENTURES**

**INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS WITH SINGLE AUDIT  
REPORTS AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2016**

**VENTURES**  
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## 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 statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the 18 months then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, and the changes in its net assets and its cash flows for the 18 months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of Ventures' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ventures' internal control over financial reporting and compliance.

*Jones & Associates LLC, CPAs*

Jones & Associates, LLC CPAs  
June 26, 2017

**VENTURES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

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**ASSETS**

Cash and cash equivalents	\$ 663,924
Cash - microloan revolving account	106,683
Cash - restricted for IDA program	103,375
Loans receivable, net	107,295
Loan loss reserve fund	38,936
Government grants receivable	193,438
Contributions receivable	108,000
Prepaid expenses and other	17,665
Property and equipment, net	<u>30,620</u>
	<u><u>\$ 1,369,936</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 48,802
Accrued payroll and related liabilities	54,233
Group fund deposits	1,426
IDA matching funds payable	33,467
Notes payable	<u>212,930</u>
	<u>350,858</u>

**NET ASSETS**

Unrestricted	712,824
Temporarily restricted	<u>306,254</u>
	<u>1,019,078</u>
	<u><u>\$ 1,369,936</u></u>

**VENTURES**  
**STATEMENT OF ACTIVITIES**  
**18 MONTHS ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 1,117,008	\$ -	\$ 1,117,008
Contributions	793,231	306,254	1,099,485
Special events	74,876	-	74,876
In-kind contributions	33,696	-	33,696
Retail service fees	228,206	-	228,206
Program fees	66,457	-	66,457
Interest and other income	13,253	-	13,253
	<u>2,326,727</u>	<u>306,254</u>	<u>2,632,981</u>
Net assets released from restriction			
Restrictions satisfied by payments	<u>55,000</u>	<u>(55,000)</u>	<u>-</u>
	<u>2,381,727</u>	<u>251,254</u>	<u>2,632,981</u>
<b>EXPENSES</b>			
Program	1,357,458	-	1,357,458
Management and general	324,899	-	324,899
Fundraising	237,554	-	237,554
Total expenses	<u>1,919,911</u>	<u>-</u>	<u>1,919,911</u>
<b>CHANGE IN NET ASSETS</b>	461,816	251,254	713,070
<b>NET ASSETS</b>			
Beginning of the year	<u>251,008</u>	<u>55,000</u>	<u>306,008</u>
End of the year	<u>\$ 712,824</u>	<u>\$ 306,254</u>	<u>\$ 1,019,078</u>

**VENTURES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**18 MONTHS ENDED DECEMBER 31, 2016**

	Support Services			Total
	Program	Management and General	Fundraising	
Salaries and wages	\$ 790,148	\$ 75,840	\$ 187,134	\$ 1,053,122
Payroll taxes and benefits	178,488	48,361	10,262	237,111
	968,636	124,201	197,396	1,290,233
Professional and contract	133,812	94,449	13,938	242,199
Facilities	120,425	22,196	531	143,152
Office supplies and equipment	28,479	24,735	7,712	60,926
Program supplies	36,613	-	-	36,613
Professional development	10,394	18,417	2,057	30,868
Travel and entertainment	12,097	9,477	6,122	27,696
Communications	6,098	9,492	6,243	21,833
Depreciation	12,737	4,978	2,914	20,629
Insurance	2,413	12,311	-	14,724
Bank charges and credit card fees	13,253	7	520	13,780
Miscellaneous	5,270	2,185	121	7,576
State and local taxes	4,774	793	-	5,567
Interest	2,457	1,658	-	4,115
	<u>\$ 1,357,458</u>	<u>\$ 324,899</u>	<u>\$ 237,554</u>	<u>\$ 1,919,911</u>

**VENTURES**  
**STATEMENT OF CASH FLOWS**  
**18 MONTHS ENDED DECEMBER 31, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from grants, contributions, and fees	\$ 2,417,246
Cash received from interest and other income	13,253
Cash paid to employees and suppliers	(1,880,492)
	550,007
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net increase in loans receivable	(28,151)
Net increase in loan loss reserve fund	(1,793)
	(29,944)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on notes payable	(27,587)
Proceeds from issuance of notes payable	70,000
	42,413
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	562,476
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of the year	311,506
End of the year	\$ 873,982
 <b>RECONCILIATION TO CASH ACCOUNTS</b>	
Cash and cash equivalents	\$ 663,924
Cash - microloan revolving account	106,683
Cash - restricted for IDA program	103,375
	\$ 873,982



**VENTURES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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 Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2016.

**Cash and Cash Equivalents** – For purposes of the statement 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, 2016, 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.

**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.

**VENTURES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**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 two to seven 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** – Revenues from government grants are recognized when the qualified expenditure is incurred and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no adjustments resulting from government audits during the 18 months ended December 31, 2016.

Contributions (including those from special events) are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a purpose restriction is accomplished or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year.

The Organization operates a consignment store for its program participants. The Organization recognizes retail services 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.

Revenue from program services is recognized in the period in which the service is provided. The Organization records program service fees collected in advance as deferred revenue until the related services are performed, at which time they are recognized as revenue.

**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.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

**Subsequent Events** – Subsequent events were evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**Note 2 – Cash Flow Information**

The following reconciles the change in net assets to net cash provided by operating activities for the 18 months ended December 31, 2016:

Change in net assets	\$ 713,070
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,629
Change in:	
Government grants receivable	(96,836)
Contributions receivable	(71,950)
Prepaid expenses and other	(10,689)
Accounts payable and accrued expenses	13,965
Accrued payroll and related liabilities	28,865
Group fund deposits	200
IDA matching funds payable	(47,247)
	<u>\$ 550,007</u>

**VENTURES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016:

Loans receivable in one year or less	\$ 43,278
Loans receivable in more than one year	75,369
Less allowance for uncollectible amounts	(11,352)
	<u>\$ 107,295</u>

There were \$2,498 of loans charged off against the allowance, and provision made to the allowance, during the 18 months ended December 31, 2016. There were \$710 of loans over 30 days past due at December 31, 2016. 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, 2016:

Receivables due in less than one year	\$ 68,000
Receivables due in one to five years	40,000
	<u>\$ 108,000</u>

**Note 5 – Property and Equipment**

Property and equipment consist of the following at December 31, 2016:

Furniture and equipment	\$ 216,570
Leasehold improvements	13,540
Less accumulated depreciation	(199,490)
	<u>\$ 30,620</u>

**VENTURES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**Note 6 – Notes Payable**

Notes payable consist of the following at December 31, 2016:

**U.S. Small Business Administration:**

Note payable with award of \$150,000 dated February 19, 2009, due in monthly installments of \$654, and non-interest bearing. The note matures in February 2019. \$ 18,526

Note payable with award of \$100,000 dated October 10, 2012, due in monthly installments of \$463, and non-interest bearing. The note matures in December 2022. 75,052

Note payable with award of \$100,000 dated August 12, 2015, due in monthly installments of \$907. Interest accrues at a base rate of 1.625%, subject to certain reductions. The note matures in August 2025. 69,352

**Plymouth Congregational Church:**

Unsecured note payable original balance \$85,000 dated June 15, 2011, including interest at 2% due quarterly with a balloon payment at maturity of June 2017. 50,000  
\$ 212,930

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

2017	\$	75,206
2018		30,648
2019		24,976
2020		22,800
2021		22,800
Thereafter		36,500
		<u>\$ 212,930</u>

**VENTURES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**Note 6 – Notes Payable** (continued)

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 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are composed of the following restrictions at December 31, 2016:

Relations manager compensation	\$ 78,000
Latino microenterprise development	112,500
Savers Club program	45,000
Microlending	37,500
Fundraising capacity	33,254
	<u>\$ 306,254</u>

**Note 8 – In-Kind Contributions**

In-kind contributions are composed of the following for the 18 months ended December 31, 2016:

Professional and contract services	\$ 26,015
Facilities	7,626
Goods and supplies	55
	<u>\$ 33,696</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**Note 8 – In-Kind Contributions (continued)**

In-kind contributions were utilized for the following purposes for the 18 months ended December 31, 2016:

Program	\$ 25,666
Management and general	6,576
Fundraising	1,454
	<u>\$ 33,696</u>

**Note 9 – Lease Commitments**

The Organization leases equipment, and office and retail space, with various terms through September 2019. 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 \$125,681 and \$112,681 for the 18 months ended December 31, 2016, respectively. Future minimum lease payments (excluding percentage based rents as amounts are indeterminable) are as follows for the years ending December 31:

2017	\$ 61,581
2018	23,388
2019	18,885
2020	4,080
2021	2,040
	<u>\$ 109,974</u>

**Note 10 – Concentrations**

At December 31, 2016, 26% of loans receivable was due from one borrower.

At December 31, 2016, 84% of government grants receivable was due from two government agencies.

At December 31, 2016, 80% of contributions receivable was due from one donor.

During the 18 months ended December 31, 2016, 34% of total support and revenue was earned from two government agencies.

**VENTURES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**Note 11 – Conditional Pledge**

The Organization received notice of a multi-year grant award for \$117,000 in November 2016. During the 18 months ended December 31, 2016, \$78,000 was recognized as revenue. The remainder of the award, \$39,000, is contingent on the Organization's completion of terms and conditions set forth in the grant. The final payment is expected to be received in 2018. As the \$39,000 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met.



**SUPPLEMENTAL INFORMATION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Ventures  
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ventures (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the 18 months then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Ventures' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ventures' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ventures' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Ventures' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ventures' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ventures' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones & Associates LLC, CPAs".

Jones & Associates LLC, CPAs  
June 26, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Ventures  
Seattle, Washington

***Report on Compliance for Each Major Federal Program***

We have audited Ventures' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ventures' major federal programs for the 18 months ended December 31, 2016. Ventures' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Ventures' major federal program based on our audit on the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ventures' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for the major federal program. However, our audit does not provide a legal determination of Ventures' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Ventures' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the 18 months ended December 31, 2016.

***Report on Internal Control over Compliance***

Management of Ventures is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ventures' internal control over compliance with the types of requirements that could have a direct

and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ventures' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes.

*Jones & Associates LLC, CPAs*

Jones & Associates LLC, CPAs  
June 26, 2017

**VENTURES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**18 MONTHS ENDED DECEMBER 31, 2016**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Identifier	Federal Expenditures
<u>Dept. of Housing and Urban Development</u>			
Community Development Block Grants			
<i>Pass-through funding from:</i>			
City of Renton 2015	14.218	CAG-15-055	\$ 2,572
City of Renton 2016	14.218	CAG-15-055	5,143
City of Kent 2015	14.218	BG1514-1614	8,483
City of Seattle 2015 (Project 1 & 2)	14.218	DA152106	90,075
City of Seattle 2016 (Project 1 & 2)	14.218	DA162118	95,000
			<u>201,273</u>
<u>Small Business Administration</u>			
Microloan Program - Revolving Loan Fund	59.046	Loan #7821345009	69,352
Microloan Program - Revolving Loan Fund	59.046	Loan #5478915006	75,052
Microloan Program - Revolving Loan Fund	59.046	Loan #3719804200	18,526
Microloan Program - Technical Assistance	59.046	SBAHQ-15-Y-0072	32,172
Microloan Program - Technical Assistance	59.046	SBAHQ-16-Y-0063	16,000
			<u>211,102</u>
7(j) Technical Assistance	59.007	SBAHQ-14-J-0019	47,874
7(j) Technical Assistance	59.007	SBAHQ-15-J-0015	196,821
7(j) Technical Assistance	59.007	SBAHQ-16-J-0012	48,102
			<u>292,797</u>
Prime Technical Assistance	59.050	SBAHQ-15-PR-0036	123,000
			<u>626,899</u>
<u>Dept. of Health and Human Services</u>			
Community Services Block Grant			
Discretionary Awards	93.570	90EE1019	61,599
Community Services Block Grant			
Discretionary Awards	93.570	90EE1063-01-00	328,939
Community Services Block Grant			
Discretionary Awards	93.570	90EE1170-01-00	34,624
			<u>425,162</u>
Total Expenditures of Federal Awards			<u>\$ 1,253,334</u>

**VENTURES**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2016**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ventures (the Organization) under programs of the federal government for the 18 months ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flow of the Organization.

**Note 2 – Summary of Significant Accounting Policies**

**Expenditures** – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Pass-Through Entities** – Pass-through entity identifying numbers are presented where available.

**Note 3 – Loans Outstanding**

The Organization had outstanding loan balances totaling \$93,578 at December 31, 2016 under the Small Business Administration’s Microloan Program. These loan balances are included in the federal expenditures presented in the Schedule. Loan activity for the 18 months ended December 31, 2016 is as follows:

Beginning balance, July 1, 2015	\$ 120,517
New loans received	70,000
Loan payments	(27,587)
Ending balance, December 31, 2016	<u>\$ 162,930</u>

**Note 4 – Indirect Cost Rate**

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 5 – Subrecipients**

No awards were passed through to subrecipients.

**VENTURES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2016**

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**Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of Ventures.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of Ventures, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs were reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance.
5. The auditors' report on compliance for Ventures expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

59.050	Small Business Administration – Prime Technical Assistance
93.570	Department of Health and Human Services – Community Services Block Grant Discretionary Awards
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Ventures was not determined to be a low-risk auditee.



**VENTURES**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**DECEMBER 31, 2016**

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**Findings and Questioned Costs – Major Federal Award Programs Audit**

**2015-001 Significant Deficiency – Eligibility: Lack of Documented Review of Eligibility Forms**

**Community Services Block Grant Discretionary Awards – CFDA No. 93.570**  
**Department of Health and Human Services: 90EE1019, 90EE1063-01-00**

*Condition:* The Organization has a comprehensive client intake form, which all potential clients complete, regardless of whether they are enrolled in the Community Economic Development (CED) grant programs. The client intake form includes declaration of income and income verification is performed. Program personnel process the client intake form and enter the information into the client database, as well as the CED master spreadsheet, where the eligibility calculation is determined by formula. However, there is no place on the intake form for program and supervisory personnel to sign off as approved. Further, there is no periodic review of eligibility determinations to ensure their accuracy and completeness.

*Recommendation:* We recommend that the Organization design and implement adequate internal controls over eligibility to ensure the accuracy and completeness of data, including adding space for program personnel and supervisory to sign off as approved (whether on the client intake form or within the client database), as well as a process for periodic review of the client files.

*Current Status:* The Organization added a process by which the Associate Director reviews federal grant program participants as part of the regular reporting process. The Associate Director prepares a “grants activity notice” cover sheet and initials this to document her approval. Management has determined this control is adequate for the level of associated risk. No similar findings were noted in the 2016 audit.

**2015-002 Significant Deficiency – Procurement and Suspension and Debarment: Failure to Adhere to Procedures**

**Community Services Block Grant Discretionary Awards – CFDA No. 93.570**  
**Department of Health and Human Services: 90EE1063-01-00**

*Condition:* While the Organization does have the required procurement policies in place, it does not have adequate internal control procedures to ensure the required policies are followed. In addition, it does not have adequate internal control procedures in place to monitor compliance with the federal suspension and debarment requirements for contracts exceeding \$25,000.

*Recommendation:* We recommend that the Organization design and implement a process to ensure that the procurement policies in place are followed when required. Further, we recommend that the Organization design and implement procedures to ensure compliance with the suspension and debarment compliance requirement.

**VENTURES**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**DECEMBER 31, 2016**

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**2015-002 Significant Deficiency – Procurement and Suspension and Debarment: Failure to Adhere to Procedures (continued)**

*Current Status:* The Organization updated the procurement policies in the official Fiscal Policy document, and has adhered to federal procurement standards in subsequent procurement processes. No similar findings were noted in the 2016 audit.