

National Venture Capital Association and Affiliates

Consolidated Financial Report
December 31, 2019

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Independent Auditor's Report

Board of Directors
National Venture Capital Association

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Venture Capital Association and Affiliates (collectively, the Association), which comprise the consolidated statement of financial position as of December 31, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Association'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 Association'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 National Venture Capital Association and Affiliates as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Correction of an Error

The financial statements of the Association, as of and for the year ended December 31, 2018, before they were restated for the matter discussed in Note 8 to the financial statements, were audited by other auditors, whose report dated July 19, 2019, expressed an unmodified opinion on those financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 8 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Association other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

RSM US LLP

Washington, D.C.
September 1, 2020

National Venture Capital Association and Affiliates

**Consolidated Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018 (as restated)
Assets		
Cash and cash equivalents	\$ 5,083,414	\$ 2,858,286
Investments	2,793,889	2,738,224
Accounts receivable, net	103,335	3,431
Promises to give, net	1,640,823	-
Prepaid expenses and other assets	338,717	372,268
Restricted cash	240,081	240,358
Property and equipment, net	328,538	347,377
	<u>328,538</u>	<u>347,377</u>
Total assets	\$ 10,528,797	\$ 6,559,944
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 377,854	\$ 376,770
Deferred revenue	2,095,962	1,903,323
Deferred rent	547,442	614,134
Deferred compensation	196,340	113,126
Total liabilities	<u>3,217,598</u>	<u>3,007,353</u>
Commitments and contingencies (Note 8)		
Net assets :		
Without donor restrictions:		
Undesignated	4,656,182	2,705,763
Board designated	339,813	308,182
	<u>4,995,995</u>	<u>3,013,945</u>
With donor restrictions	2,315,204	538,646
	<u>7,311,199</u>	<u>3,552,591</u>
Total liabilities and net assets	\$ 10,528,797	\$ 6,559,944

See notes to consolidated financial statements.

National Venture Capital Association and Affiliates

**Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018**

	2019	2018 (as restated)
Activities without donor restrictions:		
Revenue and support:		
Member dues	\$ 5,278,295	\$ 4,841,776
Contributions	1,475,500	505,000
Meetings	1,079,849	818,283
Investment income	94,937	30,217
Other income	1,716	166,523
Communications and marketing	-	13,027
Net assets released from restrictions	320,329	419,055
Total revenue and support	8,250,626	6,793,881
Expenses:		
Program services:		
Public policy	2,363,978	2,730,728
Membership	1,038,191	951,282
Meetings	526,910	433,166
Communications and marketing	478,773	428,361
Research	17,796	13,259
Total program services	4,425,648	4,556,796
Supporting services:		
Management and general	1,737,800	1,679,641
Fundraising	105,128	1,703
Total expenses	6,268,576	6,238,140
Change in net assets without donor restrictions	1,982,050	555,741
Activities with donor restrictions:		
Contributions	2,096,887	388,179
Net assets released from restrictions	(320,329)	(419,055)
Change in net assets with donor restrictions	1,776,558	(30,876)
Change in net assets	3,758,608	524,865
Net assets:		
Beginning	3,552,591	3,027,726
Ending	\$ 7,311,199	\$ 3,552,591

See notes to consolidated financial statements.

National Venture Capital Association and Affiliates

Consolidated Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

2019	Program Services					Total Program Services	Supporting Services		Total
	Public Policy	Membership	Meetings	Communications and Marketing	Research		Management and General	Fundraising	
Personnel	\$ 1,179,318	\$ 706,448	\$ -	\$ 388,955	\$ -	\$ 2,274,721	\$ 1,134,256	\$ 85,342	\$ 3,494,319
Professional fees	677,415	241,309	-	18,338	-	937,062	217,185	11,962	1,166,209
Meetings and travel	62,861	25,117	526,910	15,934	16,788	647,610	54,529	3,795	705,934
Occupancy and office expense	124,055	65,317	-	55,546	1,008	245,926	321,830	4,029	571,785
Contributions	320,329	-	-	-	-	320,329	10,000	-	330,329
Total expenses	\$ 2,363,978	\$1,038,191	\$ 526,910	\$ 478,773	\$ 17,796	\$ 4,425,648	\$ 1,737,800	\$ 105,128	\$ 6,268,576

2018 (as restated)	Program Services					Total Program Services	Supporting Services		Total
	Public Policy	Membership	Meetings	Communications and Marketing	Research		Management and General	Fundraising	
Personnel	\$ 1,222,583	\$ 710,801	\$ -	\$ 357,617	\$ -	\$ 2,291,001	\$ 1,056,471	\$ -	\$ 3,347,472
Professional fees	909,494	155,727	13,991	2,128	-	1,081,340	214,584	1,022	1,296,946
Meetings and travel	58,622	27,539	407,243	18,556	12,514	524,474	90,620	234	615,328
Occupancy and office expense	120,974	57,215	7,127	54,865	745	240,926	317,966	447	559,339
Contributions	419,055	-	-	-	-	419,055	-	-	419,055
Total expenses	\$ 2,730,728	\$ 951,282	\$ 428,361	\$ 433,166	\$ 13,259	\$ 4,556,796	\$ 1,679,641	\$ 1,703	\$ 6,238,140

See notes to consolidated financial statements.

National Venture Capital Association and Affiliates

**Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	2019	2018 (as restated)
Cash flows from operating activities:		
Change in net assets	\$ 3,758,608	\$ 524,865
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	74,203	67,058
Net realized and unrealized gains on investments	(55,665)	(19,235)
Loss on disposal of fixed assets	627	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(99,904)	44,853
Promises to give	(1,640,823)	-
Prepaid expenses and other assets	33,551	(84,543)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,084	183,874
Deferred revenue	192,639	115,122
Deferred rent	(66,692)	(60,173)
Deferred compensation	83,214	53,316
Net cash provided by operating activities	2,280,842	825,137
Cash flows from investing activities:		
Redemption of investments	2,619,104	-
Purchases of investments	(2,619,104)	-
Purchases of property and equipment	(55,991)	(19,323)
Net cash used in investing activities	(55,991)	(19,323)
Net increase in cash and cash equivalents and restricted cash	2,224,851	805,814
Cash and cash equivalents and restricted cash:		
Beginning	3,098,644	2,292,830
Ending	\$ 5,323,495	\$ 3,098,644

See notes to consolidated financial statements.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The National Venture Capital Association (NVCA) was organized in January 1973 as a nonprofit organization. NVCA unites the U.S. entrepreneurial ecosystem to support the formation of high-growth companies and ensure the U.S. remains the most competitive environment in the world for entrepreneurs and innovation. Powered by our members, NVCA convenes venture capital investors, entrepreneurs, industry partners and other ecosystem participants to shape public policy, develop and lead industry initiatives, spearhead industry research, and facilitate professional development.

The Venture Capital Foundation (the Foundation) was organized in May 2015 with the primary purposes of ensuring the future of a thriving American economy by informing, educating and celebrating the positive and lasting impacts of entrepreneurship. Once financial resources are secured, the foundation will focus on education and other matters important to the industry, including supporting a diverse and inclusive work environment for venture capital investors.

NVCA has established a Political Action Committee (PAC) for the purpose of making contributions to political candidates. The PAC functions as an entity separate from the Association and makes its own separate solicitation for funds.

The three entities are collectively referred to as the Association.

Program services: Program services include the following activities, the descriptions for each of which follow.

Public policy: Advocacy and communications are activities presenting a strong collective voice for the industry and representing the industry with lawmakers, regulators, and standard setters.

Membership: Membership includes activities to achieve standard growth and profitability for members through networking, sharing and mutual assistance, market knowledge, and a positive industry image.

Meetings: Meetings includes activities raising the competency of industry professionals through a combination of face-to-face conferences and various technology channels.

Foundation activities: Activities to promote the growth and effectiveness of venture capital financing through programs that identify, study, and report on critical issues affecting the industry, and develop the industry's body of knowledge.

Research: Delivering knowledge through industry performance statistics, specific benchmarking reports, and specific target market analysis.

PAC activities: Activities to promote good citizenship through the participation of its contributors in the elective process at the federal level to protect and advance the ideals and values of the Association's member companies.

A summary of the Association's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Principles of consolidation: The consolidated financial statements include the accounts of the Association. All material inter-organizational balances and transactions have been eliminated in consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of ASC, Financial Statements of Not-for-Profit Organizations, the Association is required to 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 without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Designated net assets consist of net assets without donor restrictions that have been internally designated to be used for specific purposes.

Designated net assets consisted of the following at December 31:

	2019	2018
Designated for MeDic fund	\$ 240,081	\$ 240,358
Designated for CA-VC program	99,732	67,824
	<u>\$ 339,813</u>	<u>\$ 308,182</u>

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use by the Association has been donor restricted by either specific purpose or implied time restrictions. Net assets are released from restrictions either due to the satisfaction of a purpose restriction or as a result of the expiration of a time restriction.

Cash and cash equivalents: Cash and cash equivalents include money market funds with original maturities of less than three months. Cash and cash equivalents managed by the Association's investment manager as part of its long-term investment strategy are included in investments.

The Association maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Association. The Association has not experienced such losses in the past, and does not believe it is exposed to any significant financial risk on these cash and money market balances.

Restricted cash: The Association has cash totaling \$240,081 and \$240,358 at December 31, 2019 and 2018, respectively, which has been internally designated for MeDic programs.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the consolidated statement of cash flows. The Association adopted ASU 2016-18, effective for the year ended December 31, 2019. ASU 2016-18 was applied using a retrospective transition method. The adoption of ASU 2016-18 did not have a material impact on the consolidated financial statements.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: The Association's investments consist primarily of money market funds, which are carried at fair value.

Promises to give: Promises to give reflect commitments made to the Association by various donors. Contributions for which payments are to be received in future years have been discounted to their present value at two percent (2%). Promises to give are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful pledges receivable is based on specific identification of uncollectible accounts and the Association's historical collection experience. At December 31, 2019, management elected not to record an allowance for doubtful pledges receivable as all outstanding amounts were deemed to be collectible.

Property and equipment: Acquisition of fixed assets equal to or greater than \$2,500 are capitalized at cost. Computer equipment is depreciated using the straight-line method over the estimated useful life of three years. Other equipment, furniture and fixtures, software and telephone are depreciated using the straight-line method over the estimated useful lives of five to seven years. Leasehold improvements are amortized over the lesser of the remaining lease term or the estimated useful lives of the improvements. Maintenance and repair costs are expensed as incurred.

Deferred revenue: Deferred revenue primarily consists of membership dues and meetings revenue received in advance of the period in which they are earned.

Deferred rent: The Association recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the consolidated statements of financial position along with the unamortized landlord provided tenant improvement allowance (see Note 7).

Revenue recognition: FASB ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), requires that the Association recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts from customers. The Association adopted the standard for the year ended December 31, 2019, using the modified retrospective transition method analyzing all contracts not yet completed as of January 1, 2019. Membership dues, meeting registrations, advertising are those revenue line items affected by this standard. Based on management's review of its contracts with customers, the timing of the amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Therefore, the adoption of this standard had no impact on the Association's consolidated financial statements but the standard does require additional disclosures.

FASB also issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution). ASU 2018-08 also provided guidance for distinguishing between conditional and unconditional contributions. The Association adopted the contributions received portion of the new standard effective for the year ended December 31, 2019, using the modified prospective method. The Association will adopt the contributions made portion of the new standard when it is required during the year ending December 31, 2020. Based on management's review of its contributions, the timing of the amount of contributions recognized previously is consistent with how contributions are recognized under this new standard. Therefore, the adoption of this standard had no impact on the Association's consolidated financial statements but the standard does require additional disclosures.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Association's revenue streams under contracts with customers are comprised of membership dues, business conferences and meetings, and sponsorships. The Association's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. The majority of the Association's revenue under contracts with customers is primarily earned in the United States of America and the majority of customers are members. The Association's contracts include no significant financing components nor variable considerations.

Membership dues are recognized ratably over the membership period as benefits are provided ratably over the membership period. The Association bills for membership dues in advance of the membership period. Membership dues payments paid in advance of the membership period are recorded as deferred revenue. The membership contracts are for annual periods.

Conferences and meetings revenue are recognized over the time, when the meeting or event takes place. Registration payments paid in advance of the event are recorded as deferred revenue. Sponsorship revenue is recognized at a point in time or period of time when the underlying performance obligation is met.

Unconditional contributions received, including grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional contributions are those contributions that contain donor imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded to deferred revenue. The Association was not in receipt of any conditional contributions during the years ended December 31, 2019 and 2018.

Payments on contracts with customers are typically due upon receipt of invoice by the customer. The Association did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to certain economic factors, specifically in the lending and financing industry.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocable costs such as salaries and benefits have been allocated among the program and supporting services benefited based on estimated level of effort.

The Association reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method based on actual activities conducted during the year.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Upcoming accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for the Association's year ending December 31, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Association is currently evaluating the impact of the new standard on the consolidated financial statements.

Income taxes: NVCA is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code (IRC). The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the IRC and has been classified as other than a private foundation under Section 509(a)(3). The PAC is a separate segregated fund as defined under Section 527(f) of the IRC.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Fair Value Measurements and Investments

Accounting standards use the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements and Investments (Continued)

The following is a summary of input levels used to determine fair values, measured on a recurring basis, at December 31, 2019 and 2018:

2019	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Money market funds	\$ 2,793,327	\$ 2,793,327	\$ -	\$ -
Government obligations	562	-	562	-
	<u>\$ 2,793,889</u>	<u>\$ -</u>	<u>\$ 562</u>	<u>\$ -</u>
2018	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Money market funds	\$ 2,143,681	\$ 2,143,681	\$ -	\$ -
Government obligations	594,000	-	594,000	-
Mutual funds - equity funds	543	543	-	-
	<u>\$ 2,738,224</u>	<u>\$ 543</u>	<u>\$ 594,000</u>	<u>\$ -</u>

Investments classified within Level 1 include mutual funds and money market funds which were valued based on quoted prices for identical assets in active markets. Investments classified in Level 2 were valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors used a market approach to obtain pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair values of asset classified in Level 2 to be a reasonable approximation of the exit price for these investments.

Note 3. Promises to Give

The Association did not receive any promises to give during the year ended December 31, 2018. Promises to give consisted of the following at December 31, 2019:

Receivable in less than one year	\$ 995,177
Receivable in one to five years	660,323
	<u>1,655,500</u>
Less: discount to net present value	(14,677)
	<u>\$ 1,640,823</u>

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 4. Liquidity and Availability

The Association invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available for general expenditures at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 5,083,414	\$ 2,858,286
Investments	2,793,889	2,738,224
Accounts receivable	103,335	3,431
Promises to give	1,640,823	-
Subtotal financial assets	<u>9,621,461</u>	<u>5,599,941</u>
Amounts not available within one year:		
Net assets designated for specific purposes	(339,813)	(308,182)
Net assets with donor restrictions	<u>(2,315,204)</u>	<u>(538,646)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,966,444</u></u>	<u><u>\$ 4,753,113</u></u>

The Association structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

Note 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Leasehold improvements	\$ 409,942	\$ 409,942
Furniture and fixtures	99,811	99,811
Equipment	29,599	31,309
Computer equipment	30,288	30,288
Software	62,746	6,754
Telephone	5,967	5,967
	<u>638,353</u>	<u>584,071</u>
Less: accumulated depreciation and amortization	<u>(309,815)</u>	<u>(236,694)</u>
	<u><u>\$ 328,538</u></u>	<u><u>\$ 347,377</u></u>

Depreciation and amortization totaled \$74,203 and \$67,058 for the years ended December 31, 2019 and 2018, respectively.

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 6. Retirement Plans

Defined contribution plan: Effective January 1999, the Association adopted a defined contribution 401(k) plan. The plan generally covers all employees and provides for employee and employer contributions. Total contributions made by the Association to the plan totaled \$98,743 and \$94,647 during the years ended December 31, 2019 and 2018, respectively.

Deferred compensation plan: During 2017, the Association entered into an agreement whereby six annual contributions of \$60,000 would be made to a nonqualified deferred compensation plan under Section 457 of the IRC for a certain key employee. The Association's contributions to the deferred compensation was \$60,000 for the years ended December 31, 2019 and 2018. The assets of the plan are primarily invested in mutual funds measured using Level 1 inputs and are included with prepaid expenses and other assets. The corresponding liability is based on observable inputs of the related assets, and is, therefore, considered a Level 2 item within the fair value hierarchy. The deferred compensation liability is shown on a separate line in the accompanying consolidated statements of financial position. Both amounts totaled \$196,340 and \$113,126 at December 31, 2019 and 2018, respectively.

Note 7. Lease Commitment

During December 2014, the Association entered into an 11-year lease agreement for office space in Washington, D.C. that expires on December 31, 2025. Rent payments are subject to an annual escalation of 2.75%. The lease contains an abatement of the first 12 months' rent, which has been reported in the deferred rent liability and is being amortized on a basis to achieve straight-line rent expense over the life of the lease. The lease also contains a tenant improvement allowance of approximately \$485,000, which has been reported in the deferred rent liability and will be amortized on a straight-line basis over the life of the lease as a reduction of rent expense. The deferred rent liability totaled \$547,442 and \$614,134 at December 31, 2019 and 2018, respectively.

Rent expense is recognized on a straight-line basis and totaled \$230,369 and \$286,990 for the years ended December 31, 2019 and 2018, respectively. The future minimum cash basis lease payments, excluding increases in real estate taxes and operating expenses, are as follows:

Years ending December 31:

2020	\$ 250,270
2021	257,152
2022	264,224
2023	271,490
2024	278,956
2025	286,628
	<u><u>\$ 1,608,720</u></u>

National Venture Capital Association and Affiliates

Notes to Consolidated Financial Statements

Note 8. Correction of a Departure from U.S. GAAP

The Association has a Political Action Committee (PAC) for the purpose of making contributions to political candidates. The PAC functions as an entity separate from the Association and makes its own separate solicitation for funds; however, as the Association controls the PAC through common board membership and the PAC is engaged in political activity on behalf of the Association's membership, thereby establishing an economic interest, U.S. GAAP requires the Association to consolidate the PAC in its consolidated financial statements. The Association has not previously consolidated the PAC; therefore, the Association has restated its previously issued consolidated financial statements to correct this departure from U.S. GAAP. The effects of this restatement on previously reported amounts are as follows:

	As Previously Reported	Restatement Adjustment	As Restated
Cash and cash equivalents	\$ 2,319,640	\$ 538,646	\$ 2,858,286
Total assets	6,021,298	538,646	6,559,944
Activities without donor restrictions:			
Net assets released from donor restrictions	-	419,055	419,055
Total revenue and support without donor restrictions	6,374,826	419,055	6,793,881
Public policy expenses	2,311,673	419,055	2,730,728
Total program services expense	4,139,444	419,055	4,558,499
Activities with donor restrictions:			
Net assets with donor restrictions, December 31, 2018	-	538,646	538,646
Contributions	-	388,179	388,179
Net assets released from restrictions	-	(419,055)	(419,055)
Change in net assets with donor restrictions	-	(30,876)	(30,876)
Net assets with donor restrictions, January 1, 2018	-	569,522	569,522

Note 9. Subsequent Events

Subsequent events have been evaluated through September 1, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Association operates and holds meetings and other activities. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses effected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Association. Quarantines, labor shortages, or other disruptions to the Association's operations or those of its members, may adversely impact the Association's revenues, ability to provide its services and operating results. The extent to which the COVID-19 pandemic impacts the Association's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain it or its impact, among others.

Independent Auditor's Report on the Supplementary Information

Board of Directors
National Venture Capital Association

We have audited the accompanying consolidated financial statements of National Venture Capital Association and Affiliates (the Association), as of and for the year ended December 31, 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, changes in net assets and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
September 1, 2020

National Venture Capital Association and Affiliates

**Consolidating Statement of Financial Position
December 31, 2019**

	NVCA	PAC	Foundation	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 2,421,967	\$ 674,381	\$ 1,987,066	\$ -	\$ 5,083,414
Investments	2,793,889	-	-	-	2,793,889
Accounts receivables, net	208,463	-	-	(105,128)	103,335
Promises to give, net	-	-	1,640,823	-	1,640,823
Prepaid expenses and other assets	338,717	-	-	-	338,717
Restricted cash	240,081	-	-	-	240,081
Property and equipment, net	328,538	-	-	-	328,538
Total assets	\$ 6,331,655	\$ 674,381	\$ 3,627,889	\$ (105,128)	\$ 10,528,797
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 377,854	\$ -	\$ 105,128	\$ (105,128)	\$ 377,854
Deferred revenue	2,095,962	-	-	-	2,095,962
Deferred rent	547,442	-	-	-	547,442
Deferred compensation	196,340	-	-	-	196,340
Total liabilities	3,217,598	-	105,128	(105,128)	3,217,598
Net assets:					
Without donor restrictions:					
Undesignated	2,774,244	-	1,881,938	-	4,656,182
Board designated	339,813	-	-	-	339,813
	3,114,057	-	1,881,938	-	4,995,995
With donor restrictions	-	674,381	1,640,823	-	2,315,204
	3,114,057	674,381	3,522,761	-	7,311,199
Total liabilities and net assets	\$ 6,331,655	\$ 674,381	\$ 3,627,889	\$ (105,128)	\$ 10,528,797

National Venture Capital Association and Affiliates

Consolidating Statement of Activities Year Ended December 31, 2019

	NVCA	PAC	Foundation	Eliminations	Total
Activities without donor restrictions:					
Revenue and support:					
Member dues	\$ 5,278,295	\$ -	\$ -	\$ -	\$ 5,278,295
Contributions	-	-	1,475,500	-	1,475,500
Meetings	1,079,849	-	-	-	1,079,849
Investment income	88,371	-	6,566	-	94,937
Other income	106,844	-	-	(105,128)	1,716
	<u>6,553,359</u>	<u>-</u>	<u>1,482,066</u>	<u>(105,128)</u>	<u>7,930,297</u>
Net assets released from restrictions	-	320,329	-	-	320,329
Total revenue and support	<u>6,553,359</u>	<u>320,329</u>	<u>1,482,066</u>	<u>(105,128)</u>	<u>8,250,626</u>
Expenses:					
Program services:					
Public policy	2,043,649	320,329	-	-	2,363,978
Membership	1,038,191	-	-	-	1,038,191
Meetings	526,910	-	-	-	526,910
Communications and marketing	478,773	-	-	-	478,773
Research	17,796	-	-	-	17,796
	<u>4,105,319</u>	<u>320,329</u>	<u>-</u>	<u>-</u>	<u>4,425,648</u>
Total program services	<u>4,105,319</u>	<u>320,329</u>	<u>-</u>	<u>-</u>	<u>4,425,648</u>
Supporting services:					
Management and general	1,842,928	-	-	(105,128)	1,737,800
Fundraising	-	-	105,128	-	105,128
	<u>5,948,247</u>	<u>320,329</u>	<u>105,128</u>	<u>(105,128)</u>	<u>6,268,576</u>
Total expenses	<u>5,948,247</u>	<u>320,329</u>	<u>105,128</u>	<u>(105,128)</u>	<u>6,268,576</u>
Change in net assets without donor restrictions	<u>605,112</u>	<u>-</u>	<u>1,376,938</u>	<u>-</u>	<u>1,982,050</u>
Activities with donor restrictions:					
Contributions	-	456,064	1,640,823	-	2,096,887
Net assets released from restrictions	-	(320,329)	-	-	(320,329)
	<u>-</u>	<u>135,735</u>	<u>1,640,823</u>	<u>-</u>	<u>1,776,558</u>
Change in net assets with donor restrictions	<u>-</u>	<u>135,735</u>	<u>1,640,823</u>	<u>-</u>	<u>1,776,558</u>
Change in net assets	<u>605,112</u>	<u>135,735</u>	<u>3,017,761</u>	<u>-</u>	<u>3,758,608</u>
Net assets:					
Beginning	<u>2,508,945</u>	<u>538,646</u>	<u>505,000</u>	<u>-</u>	<u>3,552,591</u>
Ending	<u>\$ 3,114,057</u>	<u>\$ 674,381</u>	<u>\$ 3,522,761</u>	<u>\$ -</u>	<u>\$ 7,311,199</u>