

# National Venture Capital Association and Affiliates

Report to the Board of Directors  
September 1, 2020





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September 1, 2020

Board of Directors  
National Venture Capital Association  
Washington, D.C.

We are pleased to present this report related to our audit of the consolidated financial statements of National Venture Capital Association and Affiliates (collectively, the Association) as of and for the year ended December 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Association's financial reporting process.

This report is intended solely for the information and use of the Audit Committee and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Association.

*RSM US LLP*

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## Contents

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Required communications	1-2
Summary of significant accounting estimates	3
Exhibit A—Significant written communications between management and our firm	
Representation letter	

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## Required Communications

Auditing standards generally accepted in the United States of America, specifically AU-C 260, The Auditor's Communications With Those Charged With Governance, require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the consolidated financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated April 20, 2020. Our audit of the consolidated financial statements does not relieve management and those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a communication dated May 15, 2020, regarding the planned scope and timing of our audit and identified significant risks.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Association.</p> <p>Following is a description of significant accounting policies, or their application, that were either initially selected or changed during the year:</p> <p>The Association adopted Accounting Standards Update (ASU) 2014-09, <i>Revenue from Contracts with Customers</i>. The adoption of this standard had no impact on the statement of financial position and the statement of activities but resulted in additional disclosures. Our opinion is not modified with respect to this matter.</p> <p>The ASU 2018-08, <i>Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made</i>. The Association's previously reported revenue did not change as a result of the adoption of the ASU 2018-08. Our opinion was not modified with respect to this matter.</p> <p>The ASU 2016-18, <i>Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)</i>, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Association adopted ASU 2016-18, effective for the year ended December 31, 2019. ASU 2016-18 was applied using the retrospective transition method. The adoption of ASU 2016-19 did not have a material impact on the financial statements.</p>

Area	Comments
<b>Accounting Policies and Practices (Continued)</b>	<p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly significant accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Recorded Adjustments</b>	No adjustments to the consolidated financial statements were recorded.
<b>Unrecorded Adjustments</b>	No adjustments to the consolidated financial statements were proposed by us and not recorded by management.
<b>Correction of an Error</b>	The 2018 financial statements did not include the financial activity of VenturePAC (PAC). In order to incorporate the financial activity, the financial statements of the Association as of and for the year ended December 31, 2018 were restated to retroactively include the financial activity of the PAC as described in Note 8 of the notes to the 2019 financial statements.
<b>Departure From Auditor's Standard Report</b>	<p><b>Prior Period Financial Statements</b> The consolidated financial statements of the Association as of and for the year ended December 31, 2018, as adjusted for the correction of an error, were audited by other auditors who report, dated July 19, 2019, expressed an unmodified opinion on those statements.</p>
<b>Disagreements With Management</b>	We had no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the consolidated financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	We discussed with management their assessment of the expected impact the COVID-19 pandemic will have on the Association and the 2020 operations. References to these assessments were included within the subsequent event section within the consolidated financial statement footnotes. No other significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the Association, including the representation letter provided to us by management, are attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Association's December 31, 2019, financial statements.

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management's Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
<b>Useful Lives of Property and Equipment</b>	The Association depreciates property and equipment on a straight-line basis over estimated useful lives depending on the type of asset.	Based on historical trends of assets of similar type, useful lives range from three years to seven years.	RSM US LLP reviewed the useful lives of property and equipment and determined that they are consistent with the Association's accounting policy.
<b>Expense Allocations</b>	Certain indirect or overhead costs are allocated among the program services and the supporting services based on estimated employee effort.	Management reviews employee effort estimates annually for reasonableness.	RSM US LLP reviewed the indirect costs that were allocated and reviewed the changes in the allocation rates between years and determined the cost allocations were reasonable.
<b>Accounts Receivable</b>	The Association provides for probable losses on accounts and pledges receivable using the allowance method.	Based on management's knowledge of, and relationship with, its customers and donors along with the age of the customer balances, any doubtful accounts are included in the allowance.	RSM US LLP selected a sample of balances, reviewed their collections history, and determined the calculation of the allowance was reasonable.

**Exhibit A—Significant Written Communications Between Management and Our Firm**

September 1, 2020

RSM US LLP  
2021 L Street, NW, Suite 400  
Washington, DC 20036

This representation letter is provided in connection with your audit of the financial statements of National Venture Capital Association and Affiliates (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, for the purpose of expressing an opinion on whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of September 1, 2020:

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 20, 2020, for the preparation and fair presentation of the consolidated financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the consolidated financial statements, for which U.S. GAAP requires adjustment or disclosure.
7. There are no known actual or possible litigation and claims against the Association.
8. The selection and application of accounting policies are appropriate. We further represent the following are properly recorded and/or disclosed in the consolidated financial statements:
  - a. Our tax status, which is exempt under section 501(c)(6) for National Venture Capital Association, Inc. and 501(c)(3) for VentureForward Foundation, Inc. and the Political Action Committee's (PAC), status subject to section 527. In that regard, we have evaluated the tax position under the two step approach for recognition and measurement of uncertain tax positions required by required by the Income Taxes Topic of the FASB Accounting Standards Codification.
  - b. Deferred revenue from exchange transactions.



RSM US LLP  
September 1, 2020  
Page 2

- c. Allocation of expenses on a reasonable basis.
  - d. Net assets classification
  - e. Recordable contributions by appropriate net assets class
  - f. Eliminating entries
9. We have no knowledge of any uncorrected misstatements in the financial statements.
10. We have completed the process of adopting Financial Accounting Standards Board Accounting Standards Update 2014 -09, *Revenue from Contracts with Customers (Topic 606)* and Accounting Standards Update 2018-08, *Not-for Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. There were no material changes in the timing of recognition of revenue and therefore no material impact to the statements of financial position or the statements of activities upon adoption. Additional disclosures have been added to the consolidated financial statements.
11. We agree with the restatement of the previously issued financial statements discussed in Note 8 to the financial statements. In that regard:
- a. The restatement corrects a known departure from U.S. GAAP in those financial statements.
  - b. We were aware of the departure from U.S. GAAP when those financial statements were issued but had previously considered the effects of consolidating the political action committee (PAC) to not be significant to the overall financial statements but did provide disclosure of the PAC in the notes to financial statements.
  - c. We are not aware of any other errors or departures from U.S. GAAP in those financial statements.
  - d. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.

**Information Provided**

12. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

RSM US LLP  
September 1, 2020  
Page 3

14. We have disclosed to you the results of our assessment of risk that the consolidated financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's consolidated financial statements received in communications from employees, former employees, regulators or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
18. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the consolidated financial statements, and we have not consulted legal counsel concerning litigation or claims.
19. We have disclosed to you the identity of the Association's related parties and all the related-party relationships and transactions of which we are aware.
20. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Association's ability to record, process, summarize and report financial data.
21. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### **Supplementary Information**

23. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

RSM US LLP  
September 1, 2020  
Page 3

Sincerely,

**National Venture Capital Association and Affiliates**

DocuSigned by:

*Bobby Franklin*

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Bobby Franklin  
President & Chief Executive Officer

DocuSigned by:

*MiChele Solomon*

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MiChele Solomon  
Director of Administration