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National Venture Capital Association

Audit Results Presentation
October 12, 2022

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Engagement Team Leadership



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+ Audit Results

Auditor's Responsibility Under GAAS

- + Performing an audit in accordance with GAAS
- + Forming and expressing an opinion about whether the consolidated financial statements prepared by management with the oversight of those charged with governance are presented fairly in all material respects in conformity with GAAP
- + Communicating significant matters related to the consolidated financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process

The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities



2021 Audit Results

- + Issued unmodified (clean) audit opinion over GAAP consolidated financial statements
- + Issued accompanying letters:
 - + Board Communication Letter (this presentation)
 - Management representation letter attached
 - + Internal Control Letter
 - We are not required (nor had we been engaged) to perform an audit of the Association's internal control over financial reporting
 - No material weaknesses in internal controls identified



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Board Communications

Significant Accounting Policies and Their Application

Management is responsible for the selection and use of appropriate accounting policies

- + The Association has available alternative accounting policies from which to choose
- + Significant accounting policies are described in Note A
- + The accounting policies selected and applied are appropriate under the circumstances and consistent with those used by other similar organizations
- + There were no significant accounting policies that were initially selected and no changes in significant accounting policies or their application during the year
- + We noted no transactions entered into for which there is lack of authoritative guidance or consensus
- + We noted no significant transactions recognized in the consolidated financial statements in a different period than when the transaction occurred



Significant Risks Identified

We have identified the following significant risks that in our professional judgment require special audit consideration:

- + **Revenue recognition** – *presumed significant risk*
- + **Management override of controls** – *presumed significant risk*



Management's Judgments & Sensitive Accounting Estimates

- + Accounting estimates are an integral part of the consolidated financial statements and are based upon management's current judgments and assumptions
- + Certain estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments
- + The consolidated financial statements contain the following sensitive estimate:
 - + Expense allocation – 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. We evaluated the key factors and assumptions used to develop the allocation of expenses and determined that the allocation of expenses was reasonable. We gathered sufficient appropriate audit evidence to support the reasonableness of management's estimate.



Audit Adjustments and Uncorrected Misstatements

- + No audit adjustments were recorded
- + We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
- + Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.



Matters Affecting Form and Content of Auditor Report

We are required to communicate circumstances that affect the form and content of our auditor's report:

+ **Other Matter**

- + The following circumstances lead to the inclusion of an other matter paragraph the auditor's report:
 - The consolidated financial statements of the Association for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on September 16, 2021.



Observations About the Audit Process

- + Management Representations
 - + Included as an exhibit to this presentation
- + Disagreements with Management
 - + None
- + Significant Difficulties Performing the Audit
 - + None
- + Significant Issues Discussed
 - + We discussed the impact of the COVID-19 pandemic on the Association's operations, as disclosed in the notes to the audited consolidated financial statements
- + Management's Consultations with Other Accountants
 - + None



Other Required Communications

Significant Unusual Transactions

Significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.

+ We did not identify any significant unusual transactions.

Financial Statement Disclosures

+ The consolidated financial statement disclosures are neutral, consistent and clear.

Independence

+ We have complied with all relevant ethical requirements regarding independence.



Demonstrating Value

To truly be your business partner, we are committed to adding value beyond the scope of the audit engagement. The following demonstrates additional services or support we had the pleasure of providing:



Audit Value-Adds

- Provided proactive guidance throughout the year to ensure improved efficiency and accuracy with financial reporting



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Upcoming Accounting Standards

Upcoming Accounting Standards – Leases (Topic 842)

- + Under the new model, lessees will classify a lease as finance or operating and record a right-of-use asset and lease liability for all leases with terms greater than 1 year
- + Lease model (finance or operating) impacts timing and classification of amortization and interest expense on income statement
- + Lease term is equal to the noncancelable portion of the lease plus/minus any option to extend or terminate the lease the lessee is reasonably certain to exercise
- + Complex with several options available at implementation
- + Amendments should be applied using the year of adoption or comparative presentation method
- + Johnson Lambert has developed a guide and a practice aid to support implementation of the standard, available upon request
- + Should management require more assistance than a walkthrough of the practice aid, a separate consulting fee will apply.



Effective for: Fiscal years beginning after 12.15.21.

Upcoming Accounting Standards – Credit Losses (Topic 326)

- + The new current expected credit loss (CECL) model applies to financial assets measured at amortized cost (e.g. financing receivables, premium receivables, trade receivables, held-to-maturity debt securities, reinsurance recoverables, receivables that relate to repurchase and securities lending agreements), net investment in leases recognized for lessors and off-balance sheet credit exposures not accounted for as insurance, available-for-sale debt securities and beneficial interests in scope of ASC 325-40
- + Entities will establish an allowance for credit losses based on historical information, the current environment and future expectations over the contractual term of the instrument
- + Changes in the allowance are recorded through the income statement
- + Amendments should be applied using a modified retrospective approach by recording a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption
- + A guide for the implementation of the new CECL model will be available in fall 2022.



Effective for: Fiscal years beginning after 12.15.22. Early adoption is permitted.

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Technical Resources

Technical Resources

We are committed to leveraging our professional and industry leadership experience to provide regular communications regarding changes to accounting principles, industry-specific developments and the related financial reporting impacts relevant to your organization so that Management may make timely, informed decisions.



Webinars: Free interactive sessions addressing industry hot topics. Attendees receive CPE credits.

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OnDemand Learning: The Johnson Lambert OnDemand Learning program is designed to educate on a range of basic to advanced insurance accounting topics & is available to everyone at your organization.

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About Johnson Lambert

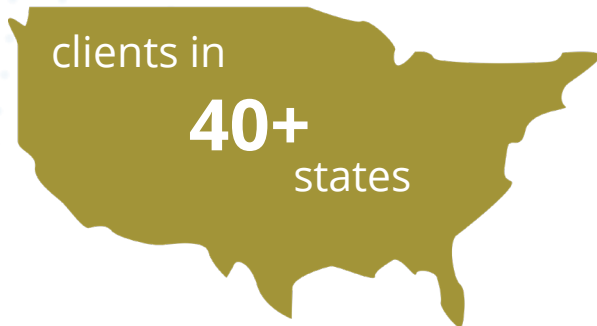


Partners, Directors +
Principals

180+
professionals
firmwide



Nationwide Presence



founded in
1986

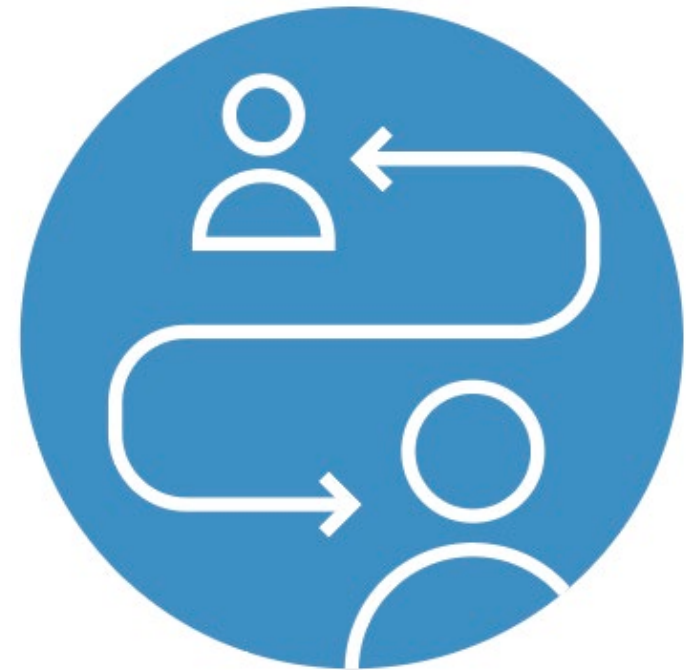


Industry Involvement



Johnson Lambert's Business Advisory Services

Internal Audit Services – Outsourcing, co-sourcing
Cybersecurity Assessments – NYDFS or NAIC Data Security Model Law
Risk Assessment and Gap Analysis
System (Pre/Post) Implementation Reviews
COSO Implementation
Fraud Risk Assessment
CFO Support Solutions
IPO, SOX 404, MAR Readiness
Mergers & Acquisitions
Data Analytics – helping evaluate client data



**Thank you for the
opportunity to serve your
organization!**

Restricted Use

This communication is intended solely for the information and use of the Board of Directors and Management and is not intended and should not be used by anyone other than those specified parties.





October 12, 2022

Johnson Lambert LLP
2650 Park Tower Drive, Suite 801
Vienna, Virginia 22180

This representation letter is provided in connection with your audit of the consolidated financial statements of National Venture Capital Association (the Association), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, as of the date of this letter, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 1, 2021, for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls and programs 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 to ensure that the Association's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts in the Association's consolidated financial statements.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



6. All liabilities resulting from retirement obligations, deferred compensation agreements, and severance packages have been recorded in the consolidated financial statements and disclosed in the notes to the consolidated financial statements.
7. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. In regards to the fact that your firm's tax department provided certain tax services to us, we have:
 - a. Made all management decisions and performed all management functions;
 - b. Established and maintained appropriate internal controls;
 - c. Designated a competent employee, Bobby Franklin, to evaluate and accept responsibility for the results of the tax services performed by your firm's tax department.
9. All events subsequent to the date of the consolidated financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole. We are not aware of any significant uncorrected misstatements.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
13. The Association has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
14. Guarantees, whether written or oral, under which the Association is contingently liable have been properly reported or disclosed in the consolidated financial statements.
15. Material concentrations known to management have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
16. We have no reason to believe that there is substantial doubt regarding the Association's ability to operate as a going concern. We have considered the indicators of adverse conditions and events included in ASU 2014-15 and do not believe any such indicators are present relative to the Association as of year-end or through the date of this letter.



17. The methods and significant assumptions as disclosed in the financial statements were used to determine fair values of financial instruments and result in a measure of fair value appropriate for consolidated financial statement measurement and disclosure purposes. The categorization of the Association's investments into the hierarchical levels as defined by ASC 820, Fair Value Measurements, is based on the lowest level of significant input to the securities' valuation.
18. In regards to the fact that your firm assisted us by drafting the consolidated financial statements and supplementary information, including appropriate disclosures required by U.S. GAAP, we have:
 - a. Made all management decisions and performed all management functions.
 - b. Designated an individual, MiChele Solomon, who possesses suitable skill, knowledge or experience to oversee the services.
 - c. Evaluated the adequacy and results of the draft preparation by reviewing and accepting the consolidated financial statements as complete and accurate.
 - d. Accepted responsibility for the consolidated financial statements and supplementary information.
19. In regards to the supplemental information, we:
 - a. Note the methods of measurement or presentation have not changed from those used in the prior period.
 - b. Have notified you of any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information; and
 - c. Agree that when the supplementary information is not presented with the audited consolidated financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information and the auditor's report thereon.
20. The Association has satisfactory title to all owned assets. We understand that it is our responsibility to report any liens, encumbrances and/or pledged assets in the Association's financial statements. As of and for the year ended December 31, 2021 we are not aware of any liens, encumbrances or pledged assets.
21. The Association is an exempt organization under 501(c)(6) of the Internal Revenue Code. The Association's affiliate, Venture Capital Foundation, is an exempt organization under 501(c)(3) of the Internal Revenue Code. The Association's affiliate, VenturePAC, is an exempt organization under 501(c)(3) of the Internal Revenue Code. We are not aware of any activities that would jeopardize the organizations' tax exempt status and all activities subject to tax on unrelated business income or excise tax or other tax have been properly reported. All required filings with tax authorities are up to date. We have not been informed of any tax reviews by federal or state taxing authorities. There is no tax position considered to be uncertain if it was to undergo an inspection by the IRS or state authorities.



22. We have evaluated the impact to our operations and financial position of COVID-19 through the date of this letter. There are no known material impacts to our financial position, including impairment of assets, loss contingencies, or negative impacts on operations that have not previously been disclosed. The financial statements adequately disclose the risks and uncertainties as a result of COVID-19.

Information Provided

1. 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.
2. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
3. We have disclosed to you the results of our risk assessment as to how and where the consolidated financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the consolidated financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Association's consolidated financial statements communicated by employees, former employees, analysts, regulators or others.
6. We are not aware of any undisclosed known instances of non-compliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.
7. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting that could have a material effect on the consolidated financial statements.
8. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
9. We have not consulted legal counsel concerning pending or threatened litigation or claims.



10. Service organizations have not reported to us any fraud, noncompliance with laws and regulations, or uncorrected misstatements.
11. We have disclosed to you the identity of all the Association's related parties and the nature of all the related party relationships and transactions of which we are aware.
12. We have provided you information concerning monetary related party transactions and amounts receivable or payable from related parties, including support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arms-length transaction. There are no material related party transactions in the consolidated financial statements.

DocuSigned by:

Bobby Franklin

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Bobby Franklin, President and CEO
bfranklin@nvca.org

DocuSigned by:

MiChela Solomon

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MiChela Solomon, Senior Director of Administration
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