

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 and 2022

*BESTEN & DIERUF, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Kentucky Entrepreneurship Education Network, Inc.  
Lexington, Kentucky

**Opinion**

We have audited the accompanying financial statements of Kentucky Entrepreneurship Education Network, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of September 30, 2023 and 2022, and the related statements of revenue, expenses, and other changes in net assets - modified cash basis and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Organization as of September 30, 2023 and 2022, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis of Accounting**

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

A handwritten signature in blue ink that reads "B. Eaton + D. Dief, LLC". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
January 22, 2024

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
 STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
 SEPTEMBER 30, 2023 and 2022

|  | <u>2023</u>                          | <u>2022</u>                          |
|--|--------------------------------------|--------------------------------------|
| <b>ASSETS</b>                                |                                      |                                      |
| <b>CURRENT ASSETS</b>                        |                                      |                                      |
| Cash and cash equivalents                    | \$ 1,363,385                         | \$ 1,122,677                         |
| Cash and cash equivalents - donor restricted | <u>                  -</u>           | <u>          50,000</u>              |
| <b>TOTAL CURRENT ASSETS</b>                  | <u>          1,363,385</u>           | <u>          1,172,677</u>           |
| <b>TOTAL ASSETS</b>                          | <u><u>          \$ 1,363,385</u></u> | <u><u>          \$ 1,172,677</u></u> |
| <br><b>LIABILITIES AND NET ASSETS</b>        |                                      |                                      |
| <b>CURRENT LIABILITIES</b>                   |                                      |                                      |
| Credit cards payable                         | <u>          \$ 10,058</u>           | <u>                  -</u>           |
| <b>TOTAL CURRENT LIABILITIES</b>             | <u>          10,058</u>              | <u>                  -</u>           |
| <br><b>NET ASSETS</b>                        |                                      |                                      |
| Without donor restrictions                   | \$ 1,353,327                         | \$ 1,122,677                         |
| With donor restrictions                      | <u>                  -</u>           | <u>          50,000</u>              |
| <b>TOTAL NET ASSETS</b>                      | <u>          1,353,327</u>           | <u>          1,172,677</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>      | <u><u>          \$ 1,363,385</u></u> | <u><u>          \$ 1,172,677</u></u> |

See Independent Auditors' Report and Notes to Financial Statements.

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
STATEMENT OF REVENUE, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED SEPTEMBER 30, 2023

|                                       | <u>Without Donor</u><br><u>Restrictions</u> | <u>With Donor</u><br><u>Restrictions</u> | <u>Total</u>        |
|---------------------------------------|---|--|---------------------|
| <b>SUPPORT AND REVENUE</b>            |   |  |                     |
| Contributions                         | \$ 8,629                                    | \$ -                                     | \$ 8,629            |
| State funding                         | 895,000                                     | -  | 895,000             |
| Grant income                          | 100,000                                     | -  | 100,000             |
| Interest income                       | 21,923                                      | -  | 21,923              |
| Fundraising income                    | 4,392                                       | -  | 4,392               |
| Miscellaneous                         | 1,731                                       | -  | 1,731               |
| Net assets released from restriction: |   |  |                     |
| Satisfaction of program restrictions  | 50,000                                      | (50,000)                                 | -                   |
| <b>TOTAL SUPPORT AND REVENUE</b>      | <b>1,081,675</b>                            | <b>(50,000)</b>                          | <b>1,031,675</b>    |
| <br><b>EXPENSES</b>                   |   |  |                     |
| Program                               | 630,837                                     | -  | 630,837             |
| General and administrative            | 210,864                                     | -  | 210,864             |
| Fundraising                           | 9,324                                       | -  | 9,324               |
| <b>TOTAL EXPENSES</b>                 | <b>851,025</b>                              | <b>-</b>                                 | <b>851,025</b>      |
| <b>CHANGE IN NET ASSETS</b>           | <b>230,650</b>                              | <b>(50,000)</b>                          | <b>180,650</b>      |
| <b>NET ASSETS - BEGINNING OF YEAR</b> | <b>1,122,677</b>                            | <b>50,000</b>                            | <b>1,172,677</b>    |
| <b>NET ASSETS - END OF YEAR</b>       | <b>\$ 1,353,327</b>                         | <b>\$ -</b>                              | <b>\$ 1,353,327</b> |

See Independent Auditors' Report and Notes to Financial Statements.

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
STATEMENT OF REVENUE, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED SEPTEMBER 30, 2022

|                                       | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| <b>SUPPORT AND REVENUE</b>            |                                       |                                    |                     |
| Contributions                         | \$ 68,671                             | \$ -                               | \$ 68,671           |
| State funding                         | 894,999                               | -                                  | 894,999             |
| Grant income                          | -                                     | 50,000                             | 50,000              |
| Interest income                       | 788                                   | -                                  | 788                 |
| Miscellaneous                         | 523                                   | -                                  | 523                 |
| Net assets released from restriction: |                                       |                                    |                     |
| Satisfaction of program restrictions  | <u>-</u>                              | <u>-</u>                           | <u>-</u>            |
| TOTAL SUPPORT AND REVENUE             | <u>964,981</u>                        | <u>50,000</u>                      | <u>1,014,981</u>    |
| <b>EXPENSES</b>                       |                                       |                                    |                     |
| Program                               | 398,137                               | -                                  | 398,137             |
| General and administrative            | 85,776                                | -                                  | 85,776              |
| Fundraising                           | <u>36,917</u>                         | <u>-</u>                           | <u>36,917</u>       |
| TOTAL EXPENSES                        | <u>520,830</u>                        | <u>-</u>                           | <u>520,830</u>      |
| CHANGE IN NET ASSETS                  | 444,151                               | 50,000                             | 494,151             |
| NET ASSETS - BEGINNING OF YEAR        | <u>678,526</u>                        | <u>-</u>                           | <u>678,526</u>      |
| NET ASSETS - END OF YEAR              | <u>\$ 1,122,677</u>                   | <u>\$ 50,000</u>                   | <u>\$ 1,172,677</u> |

See Independent Auditors' Report and Notes to Financial Statements.

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED SEPTEMBER 30, 2023

|                                   | <u>Program Services</u>             |                                       | <u>Supporting Services</u>            |                    | <u>Total</u>      |
|-----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|--------------------|-------------------|
|                                   | <u>GSE Program<br/>and Demo Day</u> | <u>Kentucky Pitch<br/>Competition</u> | <u>General and<br/>Administrative</u> | <u>Fundraising</u> |                   |
| Salaries and labor                | \$ 257,330                          | \$ -                                  | \$ 28,167                             | \$ 8,250           | \$ 293,747        |
| Employee benefits                 | 20,253                              | -                                     | 5,914                                 | 541                | 26,708            |
| Payroll taxes                     | 16,642                              | -                                     | 1,822                                 | 533                | 18,997            |
| Background checks                 | 1,976                               | -                                     | -                                     | -                  | 1,976             |
| Bank fee                          | -                                   | -                                     | 1,144                                 | -                  | 1,144             |
| Demo day supplies                 | 14,352                              | -                                     | -                                     | -                  | 14,352            |
| Field trips                       | 31,709                              | -                                     | -                                     | -                  | 31,709            |
| Program supplies                  | 10,464                              | -                                     | -                                     | -                  | 10,464            |
| Instructional coach               | 30,000                              | -                                     | -                                     | -                  | 30,000            |
| Guest speaker fees                | 622                                 | -                                     | -                                     | -                  | 622               |
| Counselors                        | 10,000                              | -                                     | -                                     | -                  | 10,000            |
| Host site fee                     | 184,401                             | -                                     | -                                     | -                  | 184,401           |
| Insurance                         | 349                                 | -                                     | 7,813                                 | -                  | 8,162             |
| Advertising                       | -                                   | -                                     | 7,707                                 | -                  | 7,707             |
| Memberships                       | -                                   | -                                     | 2,493                                 | -                  | 2,493             |
| Miscellaneous                     | 3,647                               | 5,340                                 | 1,955                                 | -                  | 10,942            |
| Office supplies                   | -                                   | -                                     | 382                                   | -                  | 382               |
| Online subscriptions and software | -                                   | -                                     | 3,826                                 | -                  | 3,826             |
| Postage, printing and copying     | 2,452                               | -                                     | 757                                   | -                  | 3,209             |
| Rent and facilities               | -                                   | 3,130                                 | 731                                   | -                  | 3,861             |
| Fees and services                 | -                                   | -                                     | 55,485                                | -                  | 55,485            |
| Staff training                    | -                                   | -                                     | 7,725                                 | -                  | 7,725             |
| Team funding awards               | 6,232                               | 28,839                                | -                                     | -                  | 35,071            |
| Team investment                   | 42                                  | -                                     | -                                     | -                  | 42                |
| Telephone                         | -                                   | -                                     | 3,419                                 | -                  | 3,419             |
| Travel, conferences and meetings  | 3,057                               | -                                     | -                                     | -                  | 3,057             |
| Grant expense                     | -                                   | -                                     | 81,524                                | -                  | 81,524            |
| <b>TOTAL EXPENSES</b>             | <b>\$ 593,528</b>                   | <b>\$ 37,309</b>                      | <b>\$ 210,864</b>                     | <b>\$ 9,324</b>    | <b>\$ 851,025</b> |

See Independent Auditors' Report and Notes to Financial Statements.



KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED SEPTEMBER 30, 2022

|                                   | <u>Program Services</u>             |                                       | <u>Supporting Services</u>            |                    | <u>Total</u>      |
|-----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|--------------------|-------------------|
|                                   | <u>GSE Program<br/>and Demo Day</u> | <u>Kentucky Pitch<br/>Competition</u> | <u>General and<br/>Administrative</u> | <u>Fundraising</u> |                   |
| Salaries and labor                | \$ 166,003                          | \$ -                                  | \$ 24,689                             | \$ 33,939          | \$ 224,631        |
| Employee benefits                 | -                                   | -                                     | 6,773                                 | -                  | 6,773             |
| Payroll taxes                     | 11,211                              | -                                     | 1,802                                 | 2,478              | 15,491            |
| Background checks                 | 296                                 | -                                     | -                                     | -                  | 296               |
| Bank fee                          | -                                   | -                                     | 15                                    | -                  | 15                |
| Database support                  | -                                   | 2,457                                 | -                                     | -                  | 2,457             |
| Demo day supplies                 | 4,850                               | -                                     | -                                     | -                  | 4,850             |
| Field trips                       | 19,536                              | -                                     | -                                     | -                  | 19,536            |
| Program supplies                  | 13,069                              | -                                     | -                                     | -                  | 13,069            |
| Instructional coach               | 35,000                              | -                                     | -                                     | -                  | 35,000            |
| Host site fee                     | 96,000                              | -                                     | -                                     | -                  | 96,000            |
| Insurance                         | 1,887                               | -                                     | 6,960                                 | -                  | 8,847             |
| Advertising                       | -                                   | -                                     | 460                                   | 500                | 960               |
| Memberships                       | 150                                 | -                                     | 1,495                                 | -                  | 1,645             |
| Miscellaneous                     | 498                                 | 3,451                                 | 1,487                                 | -                  | 5,436             |
| Online subscriptions and software | 200                                 | -                                     | 2,684                                 | -                  | 2,884             |
| Postage, printing and copying     | 128                                 | -                                     | 1,727                                 | -                  | 1,855             |
| Rent and facilities               | -                                   | -                                     | 1,364                                 | -                  | 1,364             |
| Fees and services                 | -                                   | -                                     | 32,895                                | -                  | 32,895            |
| Staff training                    | 1,209                               | -                                     | 120                                   | -                  | 1,329             |
| Team funding awards               | 9,081                               | 32,467                                | -                                     | -                  | 41,548            |
| Telephone                         | -                                   | -                                     | 2,620                                 | -                  | 2,620             |
| Travel, conferences and meetings  | 644                                 | -                                     | 685                                   | -                  | 1,329             |
| TOTAL EXPENSES                    | <u>\$ 359,762</u>                   | <u>\$ 38,375</u>                      | <u>\$ 85,776</u>                      | <u>\$ 36,917</u>   | <u>\$ 520,830</u> |

See Independent Auditors' Report and Notes to Financial Statements.

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

The Kentucky Entrepreneurship Education Network, Inc. (the Organization) is a 501(c)(3) tax-exempt corporation formed in 2015 in the state of Kentucky to run the Governor's School for Entrepreneurs (GSE), which encompasses the GSE Summer Startup program for high school students, the GSE Collegiate Pitch program for college students, and the GSE Ecosystem for alumni of the Summer Startup and/or Collegiate Pitch programs. The planning and execution of GSE's programs takes place year-round. GSE's programs combine to support students throughout their entrepreneurial growth and development in Kentucky.

GSE is focused on entrepreneurial thinking and exposes students to entrepreneurship through experiential programs including pitch competitions, field trips, instruction, mentoring, and more. GSE's programs enable students to develop personally and professionally. The programs teach students tools and ideologies for their entrepreneurial journey, and offer support and feedback for business ventures proposed, launched, and run by students within the state of Kentucky.

During GSE's Summer Startup, student teams develop a business model, design a prototype, and pitch their company to a large audience. Summer Startup entrepreneurs learn a great deal about themselves and others as they live in a community and develop long-lasting connections and friendships. A select group of educators, graduate and undergraduate students, business leaders, experienced entrepreneurs and other mentors work closely with the students in experiential learning sessions, hands-on design sessions, and cocurricular activities. Students leave GSE's Summer Startup with an understanding of what it takes to create a successful company and are eligible for millions of dollars in college scholarships.

GSE's Collegiate Pitch program is Kentucky's largest intercollegiate pitch competition and provides access to thousands of dollars in funding, along with valuable feedback from entrepreneurial experts. The competition encourages innovation and entrepreneurship by providing opportunities for students to develop and pursue their business ideas. The contest rewards businesses judged to be the most likely to produce successful ventures that create jobs for Kentuckians. Collegiate Pitch is part of the Summer Startup curriculum, as those high school students visit Collegiate Pitch businesses, learn from Collegiate Pitch participants, and are encouraged to apply to Collegiate Pitch in the next stage of their entrepreneurial journey.

GSE's Ecosystem is a support network for the alumni of Summer Startup and Collegiate Pitch. The Ecosystem works to help promote alumni businesses, provide networking and development opportunities, along with ongoing educational offerings.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that revenue and support are recognized when received instead of when the service is provided, payments to vendors are recognized when paid instead of when goods or services are received, and losses resulting from collection of amounts due are recognized as the amounts due are paid instead of when the loss is believed probable and can be reasonably estimated. Additionally, the cash basis is modified to report credit card liabilities for expenses incurred but not paid at year end.

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation

The Organization presents the accompanying financial statements in accordance with Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. The Organization reports donor-restricted support whose restrictions are met in the same reporting period as without donor restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. As tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, expenses, and changes in net assets - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The schedule of functional expenses presents the expenses by natural classification.

Date of Management's Review

Management has evaluated subsequent events through January 22, 2024, which is the date the financial statements were available to be issued.

KENTUCKY ENTREPRENEURSHIP EDUCATION NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE C - CONCENTRATIONS

Although the Organization is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of September 30, 2023 and 2022.

The Organization receives the majority of its funding through the Governor’s School for Entrepreneurs State funding grant. During the years ended September 30, 2023 and 2022, this grant accounted for \$895,000 (87%) and \$895,000 (88%) of total Organizational revenue, respectively.

NOTE D - RESTRICTIONS ON NET ASSETS

During the years ended September 30, 2023 and 2022, the Organization received grant funding from the Commonwealth of Kentucky in the amounts of \$895,000 and \$895,000 to be spent on Governors School for Entrepreneurs and its affiliated programs (“GSE”). All of the Organization's assets are dedicated to GSE as it grows and expands its programming to support entrepreneurial education in the commonwealth. Management has considered whether these funds should be donor restricted and concluded that these funds are more appropriately disclosed as unrestricted due to the nature of the funds and the purpose of the Organization as described above and in the Organizational Description herein.

NOTE E - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of assets, liabilities, and net assets – modified cash basis date, reduced by amounts not available for general use because of contractual restrictions within one year of the statement of assets, liabilities, and net assets – modified cash basis date.

|   | <u>2023</u>  | <u>2022</u>  |
|---|--------------|--------------|
| Financial assets at year-end  | \$ 1,363,385 | \$ 1,172,677 |
| Less those unavailable for general expenditure within one year                        | -            | (50,000)     |
| Financial assets available to meet cash needs for general expenditure within one year | \$ 1,363,385 | \$ 1,122,677 |

The Organization is primarily funded by contributions, grants, and state funding. Occasionally, contributions may contain donor-imposed restrictions. As such, the Organization generally maintains sufficient cash to meet its responsibility to donor-imposed restrictions and has investments available to meet any cash deficiencies.

NOTE F - RISKS AND UNCERTAINTIES

Changes to state political administrations could have the potential to significantly impact funding and operations as the Organization receives most of its funding through the Governor’s School for Entrepreneurs State funding grant. The Organization does not expect a significant impact in the near term.