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November 30, 2024

The Honorable Joseph Lombardo
Office of the Governor
One Hundred One North Carson Street
Carson City, Nevada 89701

Mr. Nick Anthony, Director
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701

Re: Nevada Battle Born Growth Escalator, Inc. Annual Report 2024

Governor Lombardo and Director Anthony:

Pursuant to NRS 231.0545, an annual report is required to be submitted by the Board of Directors of the nonprofit corporation formed to promote, aid, and encourage economic development. The report is attached and covers the reporting period of November 1, 2023 through October 31, 2024.

Please feel free to contact me should you have any questions via telephone at 702-486-3702 or via e-mail at tjburns@goed.nv.gov.

Sincerely,

Thomas J. Burns
Executive Director
cc:

Ryan Cherry, Governor's Chief of Staff
Amy Stephenson, Director, Governor's Finance Office
Wayne Thorley, Senate Fiscal Analyst
Sarah Coffman, Assembly Fiscal Analyst

Morgan Barlow, Program Analyst, Fiscal Analysis Division
Roxana Gifford, Executive Branch Budget Officer, Governor's Finance Office
Leannra Diossa, Director of Administration, Governor's Office of Economic Development
Karsten Heise, Senior Director Strategic Programs & Innovation, Governor's Office of Economic Development
Sherry Lloyd, Program Compliance Officer, Governor's Office of Economic Development

Annual Report Regarding the Nevada Battle Born Growth Escalator, Inc.

Per NRS 231.0545, the annual report must include:

- 1. An accounting of all money received and expended by the nonprofit corporation, including, without limitation, any matching grant funds, gifts or donations:*

For the reporting period November 1, 2023, to October 31, 2024, the nonprofit corporation has received a total of \$6,670,038.27 and expended a total of \$5,678,768.43.

- 2. The name and a brief description of all businesses receiving an investment of money from the nonprofit corporation formed pursuant to NRS 231.0545:*

GOED had contracted with the Nevada Microenterprise Initiative, Inc. (“NMI”) to act as a custodian for Battle Born Growth Escalator, Nevada’s venture capital program, administered by GOED, under the federal State Small Business Credit Initiative (“SSBCI”). After receiving authorization through Assembly Bill No. 17 of the 78th (2015) Session of the Nevada Legislature (“AB 17”) and upon subsequent formation of the nonprofit corporation in July of 2016 as *Nevada Battle Born Growth Escalator, Inc.* (“NBBGEI”), GOED terminated the contract with NMI and now has an agreement with NBBGEI for the latter to serve as custodian of all investment and loan holdings.

In October 2022, The United States Treasury [announced](#) it had approved up to \$112.9 million for [Nevada’s State Small Business Credit Initiative](#) (SSBCI). Nevada’s Program has received the first tranche of \$34.87 million and is overseen by GOED. On October 11, 2022, the Nevada Board of Examiners approved a new contract between GOED and NBBGEI for the latter to serve as the sole contractor to operate the new SSBCI Program for GOED. Nevada’s SSBCI Program contains three Loan Participation Programs and one Collateral Support Program in addition to its Venture Capital Program. Nevada’s SSBCI Program launched in January 2023.

I. SSBCI 1.0 and Second Generation (recycled funds) Venture Capital Portfolio Holdings prior to the second SSBCI Program (SSBCI 2.0) launch in 2022

STARTUPNV AND GENER8TOR (Funding provided: March 2022 to June 2024)

While not a traditional investment, NBBGEI provided funding support for gener8tor’s operations in [Reno](#) and [Las Vegas](#) through a two-year contract with gener8tor and for

[StartUpNV](#)'s statewide operation through a three-year contract. The objective is to generate regular deal flow for the new SSBCI Program to invest in.

This provision of *operational* support is not part of the SSBCI program, and Battle Born utilized second generation SSBCI funds. Second Generation SSBCI Funds are defined as proceeds resulting from divestments of Battle Born Venture and/or repayment of collateral and associated fees under Nevada's SSBCI Collateral Support Program (CSP), Nevada's second SSBCI program.

Post contract expiration, NBBGEI will continue to co-invest with both accelerators for SSBCI venture capital transactions.

ACCESS HEALTH DENTAL

(Investment: April, 2015, Partial Divestment: November, 2017, Participation in follow-up investment round: December, 2018)

Based in Las Vegas, NV, Access Health Dental is a Las Vegas-based dental practice company that brings an innovative, systematic approach to the delivery of dental care; it provides management support services for its dental offices so dentists can focus on providing the best care for patients.

CIRCLEIN

(Investment Round 1 - first tranche: January, 2018, second tranche: October, 2018; Investment Round 2 – first tranche: August, 2019, second tranche: February, 2020)

CircleIn has developed a student-to-student tutoring app. It allows students to study with one another, and to tutor one another, winning rewards in the process. Once invited into a group, students can swap class notes and access libraries of these notes from across the country. CircleIn has shown data to support beneficial student outcomes from using the app, and it offers a "safe space" for students by using "bad word" and "bad image" screens that are immediately flagged to the relevant school. It has both Android and iOs apps available. Since Battle Born's original investment, CircleIn has pivoted to focus on the college market, a more lucrative target market than its original focus. Contracts are based on total number of full-time freshmen enrolled, and most contracts are paid annually upfront with typically two-year terms. In July 2022, CircleIn successfully raised a \$3.5M Series A round.

GRRRL

(Investment: December, 2019)

Grrrl is a Las Vegas-based athleisure company that focuses on size-free clothing and targets niche women's sports such as MMA and Highland Games. Its philosophy is centered around women's empowerment, with an emphasis on fitness at any size. Co-founded by a husband-

and-wife team, the brand is fronted by professional athlete Kortney Olson as well as professional athlete brand ambassadors. The team relocated to Las Vegas in 2019, ahead of investment by Battle Born.

HELIGENICS

(Investment: October, 2020)

Heligenics is a spinout company from UNLV and originates from a 2013 Knowledge Fund investment seeding the Nevada Institute of Personalized Medicine (NIPM) and subsequent project funding.

Based on the GigaAssay technology developed at the University of Nevada, Las Vegas in the Schiller Laboratory of Applied Bioinformatics, Heligenics' GigaAssay is a massively parallel biological platform that can simultaneously measure how tens of thousands of genetic variants or other sequence variables affect a molecular function or a cell process. To date, there are no other established high-throughput assays that assess biological function.

The company focuses on functional genomics research and services offering comprehensive genomic solutions to pharmaceutical and biotechnology companies, as well as healthcare providers, to advance personalized medicine and precision therapeutics.

Heligenics provides custom services in the drug development and molecular diagnostic space. This includes the construction of large variant libraries (consisting of every variant in a gene with 100s of copies) and the development of cell-based GigaAssays for testing these libraries.

INNEVATOR II, LLC

(Investment: first tranche: August, 2018, second tranche: June 2019)

InNEVator is a one-of-a-kind Internet of Things (IoT) focused bootcamp hosted through the Innevation Center at University of Nevada, Reno.

InNEVator's goal is to add to Reno's technology community by helping to grow companies within a supportive community. Companies selected to participate in the 8-week bootcamp will work directly with experts to accelerate development of prototyping, creative thinking, commercialization, seed-funding, planning and operations, customer engagement, and other aspects of business. Mentorship and introductions to investors are core elements of the bootcamp. InNEVator invested in 14 companies. As these are companies in the very early stages of their development the investments made by InNEVator II are highly risky but fill a crucial gap in the entrepreneurial ecosystem.

For this investment, which is not part of the SSBCI program portfolio, Battle Born utilized second generation SSBCI funds. Second Generation SSBCI Funds are defined as proceeds resulting from divestments of Battle Born Venture and/or repayment of collateral and associated fees under Nevada's SSBCI Collateral Support Program (CSP), Nevada's second SSBCI program. Second Generation Funds are the sole funding source for Nevada Battle Born Growth Escalator, Inc.

OUTLAW SOAPS

(Investment Round 1: October, 2020; Investment Round 2: August, 2021)

Founded in 2013, Outlaw Soaps is a Sparks-based personal care company that focuses on Millennial men. Its products range from traditional offerings, such as bar soap, body wash and hand wash, to beard and hair elixir and air fresheners. It offers 7 signature scents, that include fragrances such as, campfire, leather, whiskey, sagebrush, pine, and fresh cut grass.

The company was founded by a husband-and-wife team with experience in building digital brands at Oprah.com, and with building startups. The Venture Program participated in the company's follow up investment round this year given the positive traction of the company since 2020.

For Investment Round 2 Battle Born utilized second generation SSBCI funds. Second Generation SSBCI Funds are defined as proceeds resulting from divestments of Battle Born Venture and/or repayment of collateral and associated fees under Nevada's SSBCI Collateral Support Program (CSP), Nevada's second SSBCI program.

QUANTUM COPPER

(Investment Round 1: August and October, 2022)

Quantum Copper is a licensee from UNLV based on research sponsored by NSF & UNLV and a direct result of a Knowledge Fund project. The company is developing next generation fire prevention battery materials to improve the mechanical capabilities of separators, current collectors, battery packaging and housing.

Since its founding, Quantum Copper ("QC") has focused on mitigating fire risks in lithium batteries with inside-the-cell innovation. It is minimizing the technical and execution risk with global collaborative stakeholders. Currently pilot level scalable projects are being undertaken with partners to accelerate the adoption of these technologies.

For Investment Round 1, Battle Born utilized second generation SSBCI funds. Second Generation SSBCI Funds are defined as proceeds resulting from divestments of Battle Born Venture and/or repayment of collateral and associated fees under Nevada's SSBCI Collateral Support Program (CSP), Nevada's second SSBCI program.

SEMI EXACT

(Investment Round 1: June, 2021; Investment Round 2: August, 2022)

Semi Exact a custom furniture company, in Minden, NV which is creating a new category in the consumer goods market that changes the way people think about making, purchasing, and enjoying furniture. The company can be described as a DNVB (Digitally Native Vertically integrated Brand) with advanced manufacturing.

Investment Round 1 took the SSBCI Venture Capital Program to fully invested status for First Generation funds. First Generation SSBCI Funds are defined as funds originating from the initial SSBCI allocation and do not include proceeds from divestments. It was also the first investment in a company that is based in rural-Nevada.

For Investment Round 2, Battle Born utilized second generation SSBCI funds. Second Generation SSBCI Funds are defined as proceeds resulting from divestments of Battle Born Venture and/or repayment of collateral and associated fees under Nevada's SSBCI Collateral Support Program (CSP), Nevada's second SSBCI program. Second Generation Funds are the sole funding source for Nevada Battle Born Growth Escalator, Inc. Semi Exact also attracted local investors Reno Seed Fund and StartUpNV as match in its respective rounds.

TABER INNOVATION

(Investment: January, 2020)

Taber Innovations is a Las Vegas-based company that has developed a technology suite that enables real time information to be captured and analyzed from a fire scene, thus enhancing fire fighter safety. Its advantage is that it allows monitoring of fire fighter condition, this is currently done verbally via radio. This reduces communication confusion at fire scenes and allows the incident commander to make better decisions as to when and where to send in recovery crews.

The convertible promissory note of \$100,000 book value has been extended and is being repaid by the company in 36 monthly payments with the first payment due on January 1 2024, and subsequent payments due on the first day of each following month until December 1, 2026, at which time any unpaid balance, shall be due in its entirety (if not previously paid).

TU BIOMICS

(Investment Round 1: April, 2020; Investment Round 2: July, 2021)

Tu Biomics is a spinout company from the Desert Research Institute (DRI) and originates from a 2013 Knowledge Fund investment seeding the Applied Innovation Center of Advanced Data Analytics (AIC) and subsequent project funding. Tu Biomics is focused on developing organic crop protection products for the global agriculture industry of industrial-

scale farming. In conjunction with DRI's plant and molecular biology scientists, Tu Biomix is developing a platform of organically derived biocontrol agents (BCAs) as a sustainable, effective alternative to currently available synthetic chemistry options.

For this investment, Battle Born utilized second generation SSBCI funds. Second Generation SSBCI Funds are defined as proceeds resulting from divestments of Battle Born Venture and/or repayment of collateral and associated fees under Nevada's SSBCI Collateral Support Program (CSP), Nevada's second SSBCI program. Second Generation Funds are the sole funding source for Nevada Battle Born Growth Escalator, Inc.

TALAGE INSURANCE

(Investment: June, 2018)

Talage is a Reno-based startup that has created a fully automated software platform to help small business owners compare and instantly purchase an increasing range of commercial insurance policies. Talage connects business owners directly to insurance carriers, allowing them to save time and money when purchasing workers' comp, liability and property coverage. Its advantage is that it offers customers the ability to compare, select and purchase insurance in the space of less than ten minutes. Most competitors instead refer the business to brokers and customers complete their purchase offline.

Founded in 2015 by Adam Kiefer, Matt Donovan and Zachary Draper, the Company's goal is to be the first truly national digital insurance agency for the small business vertical. To date, Talage has partnered with eight AM Best A Rated insurance carriers including Chubb, Markel, Travelers, Employers, CNA, ICW, Acuity and Atlas General. Battle Born Venture invested in the Company in June 2018 in a round led by Bay Area-VC Merus Capital, and including SaaS focused accelerator Acceleprise, and venture debt major Western Technology Investment (WTI). In March 2022, the company raised \$9M of additional venture capital funding.

TRANSWORLDHEALTH

(Investment: July, 2014)

Reno, NV-based TransWorldHealth provides productivity software to the \$1bn+ safety net healthcare market. The various software modules were developed in response to the identified market need for better reporting, analytics and forecasting for easier ways to improve physician productivity and to provide a solution for effective coordination of care of patients between different clinical settings.

II. SSBCI 1.0 Fully Exited Venture Capital Investments

WEDGIES

Investment: November 2014, Exit Process Completed: June 2018

WISEBANYAN

Investment Round I: September 2016; Investment Round II: March 2018, Exit Process Completed: February, 2019

BASE VENTURE

Investment Round I: July 2015; Investment Round II: July 2016, Exit Process Completed: July, 2019

FANDEAVOR

Investment Round I: July 2014; Investment Round II: January 2017, Exit Process Completed: August 2019

III. SSBCI 2.0 Venture Capital Portfolio Holdings – Year 1

ADARACT

(Investment: June 2023), SEDI¹ transaction

Valuation: At book cost \$200,000

Adaract, a Nevada-based startup, develops and markets high performance artificial muscle actuators for plug-and-play use in hydraulic systems; ultra compact Hydraulic Power Units for size-conscious systems requiring significant power output; and a new, potentially fruitful frontier in prosthetic R&D that's working on a synthetic-muscle-powered leg prosthesis. Once developed, the resulting device could be lighter, stronger, and more affordable than currently available powered prostheses.

AIFOUNDATION

(Investment: August 2023)

Valuation: At book cost \$50,000 (the company has been acquired and valuation will be adjusted)

AI.XYZ is a life management tool providing customized suggestions, ideas and support through a personalized AI. This includes Generative AI, Interactive AI, Personal AI, Proactive AI, AI for Workplace, AI for Employees, Your own AI, AI for Enterprise,

¹ SEDI = “Socially and Economically-Disadvantaged Individuals”, US Treasury definition: see <https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>, pp. 8-12

Artificial Intelligence, AI Voice, AI Avatar, AI SaaS, Private-Label AI, Onboarding & Training, Employee Engagement, Company Knowledge Support, Personal Knowledge Support, AI Fine-tuning, AI co-pilot, and AI assistant.

BELOIT KOMBUCHA

(Investment: June 2023)

Valuation: At book cost \$100,000

Beloit Kombucha (MightyWell Foods) manufactures and markets kombucha food products and additives to consumers. Kombucha is produced by symbiotic fermentation of sugared tea using a symbiotic culture of bacteria and yeast (SCOBY) commonly called a "mother" or "mushroom" and numerous health benefits have been claimed to correlate with drinking kombucha, including gut health.

CAREWEAR

(Investment: August, 2023), SEDI transaction

Valuation: At book cost \$250,000

CareWear is a medical device firm headquartered in Reno that provides patient home use therapeutic wearables using a PhotoBioModulation (PBM) delivery system for treatment of pain, arthritis, soft tissue injury and muscle recovery. Carewear provides Remote Therapeutic Monitoring of its medical devices through its App and Cloud infrastructure to document patient treatment compliance and reporting of pain and functional status.

CLOTHESLYNE

(Investments: December, 2022 and March, 2023), SEDI transaction

Valuation: At book cost \$30,000

Clotheslyne is looking to disrupt the laundry industry with a unique laundry service model where they pick up laundry, clean/wash it and deliver it back to their customer. What's unique is that their service providers are either established laundromats or freelancers who are vetted and trained by Clotheslyne. Clotheslyne currently offers their laundry pickup and delivery services throughout Reno, Las Vegas/ Nevada, Upstate NY, Northern NJ, and Charlotte, NC and the surrounding areas.

GRANTCYCLE

(Investment: November, 2022), SEDI transaction

Valuation: At book cost \$50,000

Grantcycle (Atlas Solutions) has developed a collaborative grant management software for managing funding and reporting impact. Their SaaS solution streamlines and automates grant

management, so grant funders and recipients can spend less time on manual tasks and more time creating impact.

LET'S ROLO

(Investment: November 2022), SEDI transaction

Valuation: Book cost \$50,000 adjusted to \$159,225 following acquisition of company

Let's Rolo offers a suite of micro customer relationship management (CRM) products including digital business cards, Zoom® backgrounds and email signatures for people to store and manage contact information. Rolo interfaces all contacts to the CRM of choice.

LOOP SOFTWARE

(Investment: November 2022 and August 2024)

Valuation: At book cost \$50,000

Loop Software has developed and is now marketing a convenience web-based platform that connects people and their vehicles to automotive service centers for repairs and maintenance. Customers schedule to have their vehicles picked up by Loop's drivers, who take the vehicles to the customer's preferred auto service center.

NEURORESERVE

(Investment: June, 2023)

Valuation: At book cost \$150,000

NeuroReserve, a nutritional supplement company focused on neurological health in the DTC/eCommerce channel. The company's initial product, ELEVATE, is a brain supplement that fills the gaps between what most people eat, and the diets proven to be healthiest for your brain. RELEVATE is the first and only nutritional supplement based on the Mediterranean and MIND (Mediterranean-DASH Intervention for Neurodegenerative Delay) dietary patterns, shown to be the most effective for strengthening memory and cognitive performance, as well as reducing risk of neurodegenerative disease and dementia.

PROSPER

(Investment: December, 2022), SEDI transaction

Valuation: At book cost \$50,000

Prosper Technologies was founded to address a business marketing issue: many companies rely on digital ads to reach new users, but very few of them ever see a positive return on their ad spend. Word-of-mouth marketing is more effective, but there is no easy way for most companies to integrate or track their word-of-mouth marketing efforts. Prosper was built to solve this and make it possible for any company to integrate and scale their word-of-mouth marketing efforts.

REVONATE

(Investment: November, 2022)

Valuation: Book cost \$50,000 adjusted to \$0 as company has ceased operations

Revonate has developed and is now marketing a construction sales platform that provides contractors with a streamlined system to capture lead information & automate follow ups, generate instant quotes and contracts, provide real-time revenue forecast reports and accelerate customer payments.

SAGE MEDICAL

(Investment: December, 2022)

Valuation: Book cost \$50,000 adjusted to \$0 as company has ceased operations

Sage Medical is an AI-driven medical coding and billing platform that remedy the gaps in the healthcare coding and billing system. Their solution combines medical coding, billing & dictation into one fully baked real-time platform, saving physicians dollars while increasing productivity.

SILICA NEXUS

(Investment: August, 2023)

Valuation: At book cost \$250,000

Silica Nexus (Convergence of 4 Dimensions) is creating the operating layer that will bring all AR/VR, 2D and 3D platforms onto one real-time multiplayer platform, and is building a community ecosystem that will drive the in-game virtual economy onto the blockchain and into the real-world lives of developers, creators, and players.

SEE ID

(Investment: November, 2022)

Valuation: Book costs \$351,000 (November 2022) and \$100,000 (December 2023) adjusted to \$1,954,333 as company is preparing for Initial Public Offering (IPO)

SEE ID, Inc. helps businesses transform their operations with a single goal in mind: increased safety and efficiency. Through extensive research and development, SEE ID's main focus includes Industrial IoT, Indoor & Outdoor tracking with seamless transitions from inside to outside, Passive RFID (including Bluetooth and 5G) and software applications

TERBINE

(Investment: November 2022), SEDI transaction

Valuation: Book cost \$225,000 adjusted to \$562,500

TerbineLink is designed to synchronize all of the key elements involved with EV charging infrastructure. Operating in the cloud, the software-based platform has been developed to give system operators the ability to monitor and manage increasingly complex multi-vendor environments spread across wide geographies.

TU BIOMICS

(Investment: August 2023)

Valuation: At book cost \$200,000

Tu Biomics is focused on developing crop protection products from microbial extracts, capable of countering economically impactful soil borne diseases. The company is a Knowledge Fund spinout from DRI. The August, 2023 marked the consistent third time NBBGEI participated in the company's investment round.

VISIONAID

(Investment: 2023)

Valuation: At book cost \$50,000

VisionAid (Project Cornell) has developed an electronic glasses product that is designed to improve visual performance for legally blind and low vision individuals.

VISTRO

(Investments: November 2022 and July, 2023), SEDI transaction

Valuation: At book cost \$100,000

Vistro is a collection of virtual food delivery brands and ghost kitchens focused on creating technology to streamline how food is ordered, cooked, and delivered.

IV. SSBCI 2.0 Venture Capital Portfolio Holdings – Year 2

AIR CORP

(Investment: January 2024), SEDI transaction

Valuation: At book cost \$50,000

AIR Corp develops state-of-the-art remote-control robots and vision inspection software. Unlike traditional drones and land rovers, AIR Corp's robots have the ability to climb up

walls and navigate a variety of difficult-to-reach infrastructure using hybrid magnetics, propellers, and land locomotion.

CARTWHEEL ROBOTICS

(Investment: September 2024)

Valuation: At book cost \$500,000

Using Cartwheel actuator IP and state-of-the-art robotics technology, they are developing a small, expressive, capable, 1-meter-tall humanoid platform and partner with Inworld, a leader in character AI, to develop Artificial Individual Intelligence (AII), the opposite of Artificial General Intelligence, to make each robot unique. We will focus first on addressing the human-robot interaction (HRI) problem from a safety and social perspective and then move toward utility. Per Cartwheel, “Our solution begins by developing a foundational small humanoid that can entertain and have meaningful interactions with humans - winning hearts.” The entertainment industry/market will be the beachhead to generate early revenues. As the technology evolves and the costs come down, they will naturally expand into other markets (e.g., hospitality, service) and eventually achieve general purpose where the robot can augment the human labor force and enter the home.

CLICKBIO

(Investment: May and July 2024), SEDI transaction

Valuation at total book costs \$200,000

ClickBio specializes in developing innovative solutions tailored to address challenges at the intersection of biological processes and engineered automation systems. Our technical design team is comprised of mechanical engineers and seasoned scientists. This blend of expertise enables us to address complex laboratory workflows, thereby facilitating the creation of impactful solutions. Within our product portfolio, we offer a variety of consumable plastics, magnetic bead separation products, as well as small devices and instrumentation. Additionally, ClickBio excels in crafting labware solutions tailored to the specific needs of clients within the realms of Big Pharma, Contract Research Organizations (CROs), Biotechnology, and Agricultural sectors.

CREATE GOOD FOODS

(Investment: January 2024), SEDI transaction

Valuation at book cost \$50,000

crEATe Good Foods (CGF) offers sustainable plant-based crEATe meats that are heart-healthy, cruelty free and, most importantly, delicious! crEATe meats are shelf stable and lightweight making shipping and logistics a breeze. crEATe Good Foods are rehydrated with water and oil instantly, can be used to make a complete meal in less than 20 minutes and is much more versatile than current plant-based offerings that come premade.

DAYA MEDICAL

(Investment: August 2023 and May 2024), SEDI transaction

Valuation at total book costs \$1,000,000

DayaMed (the “Company”) is a digital health company focused on medication adherence. The DayaMed platform combines the resources of a clinical care organization with an advanced mobile application that allows patients and their families to access medications, communicate with healthcare providers, and monitor medication adherence. DayaMed’s offering is a covered benefit by Medicare, Medicaid and most private insurers. The Company’s reimbursable services include telehealth outpatient visits, remote patient monitoring, medication therapy management, and chronic care management services. There are additional opportunities to expand clinical revenue stream as providers identify and address patient care needs, for example, annual wellness exams, preventive screens, and other care management services. More than half of all Americans have at least one chronic condition.

Treating people with chronic conditions accounts for 86% of healthcare spending. Only 40% of people with chronic conditions adhere to prescribed medication therapies. Nearly 1 in 3 adverse events leading to hospitalizations are associated with medication mismanagement. Over \$300B is spent annually on misuse, underuse & overuse of medications. DayaMed takes a holistic approach to medication adherence by offering the following benefits: Prescription refills, lowest drug prices, adherence driven rewards, organize, track and assist the patients with their adherence, and share this information with the patient’s caregivers and physician. The Company’s clinical staff works to support the primary care physician, the patients, and their caregivers in real-time to make sure they take the correct medications at the right time, every time. The DayaMed mobile application carries an accurate list of medications on their mobile device for all healthcare visits.

DOG & WHISTLE

(Investment: October 2024), SEDI investment

Valuation: At book cost \$50,000

Dog & Whistle is revolutionizing the pet food industry with a focus on sustainability, health, and transparency. They produce high-quality, upcycled pet food that prioritizes pet health and reduces environmental waste. Products include meals, treats, and toppers made from responsibly sourced ingredients, ensuring both nutritional value and sustainability. The company’s use of upcycled ingredients differentiates it from traditional pet food companies and aligns with growing consumer demand for sustainable products.

DRAIN DRAWER

(Investment: February 2024)

Valuation: At book cost \$50,000

Drain Drawer Pots sells high-quality houseplant pots made of recycled plastic. The product line incorporates a unique, patent-pending design that revolutionizes how customers take care of their plants at home, in the office, or outside. The design consists of a unique and innovative design of a pot with a removable drawer that has multiple features to make plant care effortless.

ECOATOMS

(Investment: May 2024), SEDI investment

Valuation at book cost \$500,000

The core of Ecoatoms business model is designing custom payloads to facilitate larger volume testing and production of biotech products. Customers to date for this product include L'Oreal and NASA. Ecoatoms is also leveraging IP developed around their experimentation platforms to develop their own microgravity IP around novel micro medical devices. Ecoatoms is generating revenue selling capacity on a lab unit that is launched into microgravity. The beauty of this model is that they are earning enough from their clients to cover the launch, but they have additional experimental capacity on their lab unit (sometimes as a separate unit) that they get to use for their own experiments in diagnostics. As such they become profitable on their clients while getting to perform research for their own inventions. They believe they will be successful in selling their lab unit space and then over time as they keep doing their own experiments, they will discover something quite remarkable which will result in an over-the-top outcome due to that discovery.

ELLY HEALTH

(Investment: September 2024), SEDI transaction

Valuation at book cost \$50,000

Elly Health is a digital health company that focuses on providing personalized mental health and chronic disease support through AI-driven technology. The platform offers tailored, evidence-based therapeutic content that is accessible, user-friendly, and science-backed.

HIBEAR

(Investment: December 2023), SEDI transaction

Valuation at book cost \$50,000

Hibear, located in Reno, created an “All Day Adventure Flask” for the outdoor market, regarding it as the Swiss Army tool of insulated bottles. It is built to provide a “kitchen counter like coolness” for the outdoors. The insulated flask is capable of crafting anything

from coffee to cocktails. Product range is continuously being expanded. The product is available via four distinct channels – direct to consumer, corporate, events, and retail (55 current retailers).

LOOP SOFTWARE

(Investment: November 2022 and August 2024)

Valuation: At book cost \$50,000

Loop Software has developed and is now marketing a convenience web-based platform that connects people and their vehicles to automotive service centers for repairs and maintenance. Customers schedule to have their vehicles picked up by Loop's drivers, who take the vehicles to the customers' preferred auto service center.

LUCIHUB

(Investment: December 2023)

Valuation: At book cost \$242,500

LuciHub is an Ai-powered hybrid video production platform and mobile app that captures user-generated content from collaborators of a certain project and outputs professionally edited videos in hours. Collaborators can also request revisions if there is something that needs to be fixed or refined. LuciHub provides professionally curated content to customers at a speed and affordability that has not been seen in the space before while leveraging both AI and human editors to guarantee the final product's quality. They released the 'Butterfly' component this April. Butterfly uses AI to convert ideas into gripping scripts, precise shot lists, and engaging marketing content allowing the user to focus on bringing the vision to life

MELZI

(Investment obligated: September 2024), SEDI investment

Valuation at book cost \$500,000

Melzi is a medical device manufacturer headquartered in Reno. Operating Room teams, Surgeons and Nurses, will sometimes lose small items like needles, fragments and tools in patients during surgery. Sometimes the OR team knows an item has been misplaced. Sometimes surgical item counts reveal that an item is missing. In many cases, it's been discovered that counts thought to be correct were incorrect. Currently surgical teams must spend time hunting for lost items and when not found call for X-ray. X-ray's, however, are not recommended for smaller items as X-Ray frequently will not see items smaller than 15mm.

Melzi's product, the Melzi Sharps Finder, which has been developed by the company and is FDA registered (Class II: Exempt) offers a solution. The product was introduced to the hospital surgical device market in early 2023. As of end August 2024, Melzi Sharps Finder

purchased and in use at 34 hospitals. Melzi is setting the stage to go from the early adopter phase to the high growth market phase.

PHONE2

(Investment: December 2023), SEDI transaction

Valuation: At book cost \$50,000

Phone2's cloud-based telephone system enables businesses to customize their caller ID display with their unique brand information, including logos, names, and reason for calling. This ensures that calls are instantly recognizable and instill confidence in customers, leading to a substantial increase in call answer rates, up to 4x higher than regular calls. This improved accessibility enables companies to engage with more customers, boost sales opportunities, and provide exceptional customer service. Phone2 seamlessly integrates with existing business phone systems, ensuring a smooth transition without disrupting ongoing operations. This allows businesses to leverage the benefits of branded calls without major infrastructure changes or additional costs. Phone2 offers comprehensive call analytics and reporting, enabling businesses to gain valuable insights into their communication patterns. This data helps identify bottlenecks, monitor call performance, and optimize business processes to drive efficiency and better serve customers.

QUANTUM COPPER

(Investment: August 2022; October 2022 and November 2023), SEDI transaction

Valuation: At total book costs \$300,000

Quantum Copper (QC), a Las Vegas based company founded in 2021, aims to develop and manufacture battery components that will help in making batteries less fire prone. They are currently developing flame-retardant non-active battery materials, particularly Battery packaging, Separator & Current collector. Company claims their products will be more cost effective, easy to manufacture and highly adaptable into various configurations, when pitted against currently existing battery solutions. QC uses a phosphorous based flame-retardant polymer to achieve flame retardancy in the battery components.

SEE ID

(Investment: November 2022 and December 2023)

Valuation: Book costs \$351,000 (November 2022) and \$100,000 (December 2023) adjusted to \$1,954,333 as company is preparing for Initial Public Offering (IPO)

SeeID is an active tagging system for logistics that tracks packages and items, both in stationary and mobile environments. The company has developed proprietary software that allows it to precisely locate items for security and safety purposes. To accomplish this task the company uses 3rd party RFID sensors and hardware that work in coordination to properly

locate and identify packages and items. This feature is highly valuable and elusive to most companies to achieve due to the complexities of antenna systems and RFID algorithms. The future for the company with its RFID array tracking system is to create a 5G chip to make them faster and have even lower power requirements.

STANDARD MEASURE TECHNOLOGIES dba NAILSTRY

(Investment: March 2024), SEDI transaction

Valuation: At book cost \$50,000

Standard Measure Technologies Corp provides consumers, brands, and e-commerce platforms with virtual sizing solutions to simplify online shopping. Their first product, Nailstry, provides a sizing solution for the press-on nail industry. It utilizes computer vision and machine learning, to detect and measure the customer's fingernails in real-time. This eliminates the need for excess press-on nails and sizing kits, reduces waste, and lowers sizing-based returns. Overall customers receive a truly personalized shopping experience while ecommerce brands and platforms see an increase in profits.

SAGE BRANDS dba BATTLE BORN BEER

(Investment: July 2024)

Valuation at book cost \$250,000

Sage Brands, Inc. dba Battle Born Beer (“BBB”) is a Reno-based brewery that has established its brewing operations and tasting room in downtown Reno, in the popular 4th Street corridor. BBB is pursuing a different brewing model, as compared to the traditional, much more common craft breweries. Many if not most “craft” brewery startups that operate as a brewpub with a portfolio of beer styles and target primarily local “on premise” type business with a marginal focus on retail distribution. This category is highly saturated and often not scalable. Simply stated, the company is keenly focused on positioning Battle Born Beer as an easy-drinking golden lager brewed with the pioneering spirit of Nevada...With the quality of a craft beer but with the easy drinking profile of popular American lagers, BBB maintains a simple truth; Good beer doesn’t need to be complicated; it just needs to be good.

SEMI EXACT

(Investment: June, 2021; August, 2022; September 2024)

Valuation at total book costs \$600,000

Historically, Semi Exact sold furniture components and a limited offering of kits. The company has expanded its offering, based on demand, to include a larger assortment of finished goods for both consumers and business customers. Products include metal items produced by the company such as table bases, seating, and shelving as well as bed frames (one such frame includes a design patent) and sourced goods such as wood tabletops, cushions and accessory items. The Company offers a very large assortment of sizes and

finishes. This customization and diversity of product offerings sets it apart from import competitors that only offer standard sizes and finishes. Most of its products are designed for a closed loop using recycled steel and environmentally friendly finishes.

SURGISTREAM

(Investment: January 2024), SEDI transaction

Valuation: Book cost \$352,000 adjusted to \$422,400

Surgistream automates scheduling and communication processes - and allows information sharing among the parties. Surgistream is a cloud-based (iOS, Android and Desktop), dynamic calendar app that integrates all aspects of the surgery scheduling process, allowing real-time messaging among all parties. People unfamiliar with the medical device world might think of Surgistream as a metaphorical cross between Uber and Amazon Prime for surgery scheduling and surgical device delivery. In many cases, both the medical device and vendor are both required. It's like trying to coordinate multiple Ubers for a party of 50 going to multiple locations; several individuals require order transparency and real-time coordination simultaneously.

TENSORWAVE

(Investment: February 2024), SEDI transaction

Valuation: Book cost \$500,000 adjusted to \$2,2675,000

TensorWave Cloud—a revolutionary solution addressing the AI compute supply crisis. The company's advanced fabric architecture enables efficient scaling of AMD GPUs, outperforming current-gen NVIDIA GPUs. TensorWave aims to complete a Proof of Concept (POC) for enterprise use, and with key launch partners like AMD, Lamini, Supermicro, and GigaIO, anticipates a 5700+ customer waitlist at launch. In October 2024, TensorWave announced that it had raised \$43M in SAFE Funding which made it the largest in Nevada Startup History.

TILT A.I.

(Investment: September 2024), SEDI investment

Valuation at total book costs \$315,000

TILT's platform provides an end-to-end solution for freight brokerage. The platform brings AI technology to the forefront of supply chain logistics, whilst offering a TMS, real-time tracking, dynamic pricing, intelligent matching, predictive analytics, carbon emissions tracing and chatbot to streamline logistics process. The TILT platform reduces brokerage staff by 40%, drives margins up, and increases supply chain reliability and visibility.

ZENCENTIVE

(Investment: August 2024), SEDI investment

Valuation at total book costs \$500,000

ZenCentiv (ZC) operates in the Sales Performance Management / Incentive Compensation Management (SPM / ICM) vertical, selling their SaaS solution to middle-sized to enterprise-sized companies with sales force sizes of 100 to 10,000 people or payees. ZC's sweet spot is serving companies with 250 to 1000 payees. It has initial traction and "product-market fit" type feedback from real customers/users. With a working solution and great reference customers, the company is ready to go to market significantly and scale.

V. SSBCI 1.0 and Second Generation (recycled) Funds Loan Portfolio

a. Loan Participation Standard Loans (greater than \$250k)

ROARING 20s

(October, 2023)

Roaring 20s is a wholly owned subsidiary of Pinnacle Nevada Corp. Pinnacle Nevada Corp. and its affiliate, Pinnacle Homes Inc., are local Las Vegas home builders and have been in business since 1992. As of October 31, 2024, more than 80 per cent of the original loan has been repaid by Pinnacle Homes, Inc.

VI. SSBCI 2.0 Loan Portfolio – Year 1

a. Collateral Support

FULL TILT LOGISTICS

(November, 2022), SEDI transaction

Based in Reno, Full Tilt Logistics is a Certified Women-Owned WBENC Company. The company is an expert in freight brokerage services. Its Reno Freight Logistics Company and dedicated trucking fleet provide expert support in logistics and transportation management, so shipments can be delivered faster and at a lower cost. Full Tilt is a 3PL company that provides a 24/7 shipment locator and clean, courteous, professional drivers whose number one focus is on customer service.

NORTH STAR ELECTRIC
(September 2023), SEDI transaction

Based in Las Vegas, Northstar Electric was first established in 1998. The company has lengthy experience on Commercial, Residential and Industrial projects, and has been very efficient in providing the necessary service to go above and beyond our customer's satisfaction. In 2005, Northstar Electric Inc. became a corporation. At this time, Northstar Electric Inc. has expanded across several States. Northstar Electric Inc. strives to provide services exceeding the norm.

b. Loan Participation Standard Loans (greater than \$250k)

No transactions for Year 1.

c. Loan Participation Microloans (less than \$250k)

Under the US Treasury approved SSBCI Program NBBGEI contracted with Calvert Impact, Inc. for a Small Loan 80/20 Fund model for loans under \$250,000 with Calvert Impact Capital as fund manager and Community Reinvestment Fund as fund administrator. Calvert Impact created a subsidiary special purpose vehicle (SPV) that will purchase Eligible Loans made by eligible Originating Lenders which are participating Community Development Financial Institutions (CDFIs). The SPV will purchase up to 80 percent of eligible loans from those CDFIs. Funding for the first tranche of this Microloan Program under SSBCI has been obligated and transferred to Calvert Impact to fund the SPV and be matched with SSBCI required private capital funds.

During Year 1, the Microloan Program purchased two loans with a total of \$400,000 using \$200,000 worth of SSBCI Funds. Both transactions were SEDI loans. Subsequently, in July 2024 one loan had to be written off due to the business ceasing operation.

| Borrower | Term Months | Location | Jobs Added | Jobs Retained | SEDI Y/N | Write Off Y/N |
|-----------------------|-------------|-----------|------------|---------------|----------|---------------|
| Draco Logistics | 60 | Las Vegas | 4 | 2 | Y | Y |
| Validity Construction | 60 | Las Vegas | 3 | 7 | Y | N |

d. C-PACE

No transactions for Year 1.

VII. SSBCI 2.0 Loan Portfolio – Year 2

a. Collateral Support

Since inception of SSBCI 2.0 in January 2023, a total of \$3,633,253.88 of collateral support has been expended.

FULL TILT LOGISTICS, FULL TILT TRANSPORTATION, FULL TILT WAREHOUSING & DISTRIBUTION **(Currently in progress), SEDI transaction**

CSP Letter of Credit Renewal.

This is a renewal as Full Tilt will continue to utilize the CSP Investment albeit for a reduced amount. The company is continuing to grow and is being recognized nationally. Plumas Bank requested that the collateral support stay in place for one or two more years. It is expected that the collateral support will drop off after the next renewal. Since the landlord is more comfortable with the company's cash flow and ability to pay, the required amount of the letter of credit is being reduced. Full Tilt Logistics, LLC (FTL) is a full-service logistics company organized in Nevada in 2014. The company hires independent haulers to move products. Full Tilt has industry knowledge and a well-developed database. They serve over 300 customers worldwide. Full Tilt Warehousing & Distribution LLC was organized in 2021 to bring warehousing in-house instead of outsourcing the logistics component. This is a SEDI loan which is advantageous for the state, as it could create new jobs, as the company adds more employees.

KR PROPERTIES **(September 2024), SEDI transaction**

Bridge CSP to facilitate SBA 504 loan.

The owner-occupied property will be constructed in Reno. Meadows Bank requested a collateral support bridge loan until the SBA debenture is funded (usually eighteen months to two years) and the collateral support loan (2nd) is paid back. Once a Certificate of Occupancy is received, NBBGEI's part will be paid off by the debenture funded through the SBA. After construction is completed, Meadows will have a 1st deed of trust at 50% of the loan amount. The term of the loan will be a 20-year amortization with a 5-year term.

KR Properties LLC is a single-asset LLC for the purpose of holding the property being developed. It is owned by physicians with an existing medical practice and began operations

in 1987 under family ownership. 100 per cent of the practice was purchased by the daughter in 2019. The second partner in this project will co-locate in the property upon completion. This is a SEDI qualified loan, offering a larger owner-occupied space that will be an advantage for the community. It enables the hiring of more physicians, which will increase access to healthcare services. This could make Reno a more attractive area for medical professionals looking to establish their practice.

TRAIN OUT LOUD **(July 2024)**

SBA 7A loan refinancing.

The loan was to refinance an SBA 7A loan that was originally financed with Meadows Bank. By refinancing the loan, the interest rate was reduced, which improved the borrower's cash flow. This improves the coverage ratio and frees up cash flow for the facility. Train Out Loud was established in 2005 and is a holding company for the real estate portion of the facility. The tenant is The Strength Center Las Vegas, a small personal training gym. Train Out Loud is not a SEDI transaction, but it serves the purpose of hiring more staff, and it helped a small business obtain a more favorable interest rate, which insured sustainability of the organization.

VANTAGE CONCEPTS **(February 2024)**

Working capital loan.

This loan with GenuBank is being used as working capital for the company. The funds were used to support operating needs and bridge the collection of accounts receivable.

Vantage Concepts LLC was established and incorporated in 2006. It is a landscape contractor and operates in Nevada. It has over 500 residential customers along with commercial accounts that includes Terrible Herbst Inc., KB Homes, Toll Brothers, and Commerce Construction. The benefit to the state is the continuation of the company to employee workers

b. Loan Participation Standard Loans (greater than \$250k)

No transactions for Year 2.

c. Loan Participation Microloans (less than \$250k)

Under the US Treasury approved SSBCI Program NBBGEI contracted with Calvert Impact, Inc. for a Small Loan 80/20 Fund model for loans under \$250,000 with Calvert Impact Capital as fund manager and Community Reinvestment Fund as fund administrator. Calvert Impact created a subsidiary special purpose vehicle (SPV) that will purchase Eligible Loans made by eligible Originating Lenders which are participating Community Development Financial Institutions (CDFIs). The SPV will purchase up to 80 percent of eligible loans from those CDFIs. Funding for the first tranche of this Microloan Program under SSBCI has been obligated and transferred to Calvert Impact to fund the SPV and be matched with SSBCI required private capital funds.

During Year 2, the Microloan Program purchased seven loans with a total of \$1,080,000 using \$524,000 worth of SSBCI Funds. Five transactions were SEDI loans.

| Borrower | Term Months | Location | Jobs Added | Jobs Retained | SEDI Y/N | Write Off Y/N |
|--------------------------------|-------------|-----------|------------|---------------|----------|---------------|
| Aspire Behavioral | 60 | Las Vegas | 5 | 20 | Y | N |
| Full Function Physical Therapy | 60 | Henderson | 2 | 3 | N | N |
| CBK Salon | 60 | Las Vegas | 1 | 6 | Y | N |
| Global Fertility | 72 | Las Vegas | 0 | 1 | Y | N |
| HH Management | 60 | Las Vegas | 1 | 1 | N | N |
| Fingerprinting Express | 72 | Reno | 28 | 20 | Y | N |
| Cutting Edge Contractors | 72 | Las Vegas | 0 | 7 | Y | N |

d. C-PACE

No transactions for Year 2.

VIII. Public Interest assessment of NBBGEI's Investment and Loan Activities

NBBGEI's venture capital investment and loan activities are being conducted under the auspices of the State Small Business Credit Initiative (SSBCI). GOED is the implementing entity for the Nevada SSBCI program and NBBGEI is the administering entity contracted by GOED.

SSBCI provides funding to states for programs that catalyze lending and investing in small businesses, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs. SSBCI is designed to catalyze private capital in the form of loans to and investments in small businesses, especially in historically underserved communities and among entrepreneurs who may have otherwise lacked the support needed to pursue their business ambitions. SSBCI support can be transformative in a range of industries, including small manufacturing, supply chain, and other sectors promoting key national priorities. Hence, by its program design SSBCI is structured to further the public interest of the state in which it operates.

1. Economic Impact Analysis – IMPLAN Model

Economic impact can be considered the most important measure of public interest. In August 2022 as part of Nevada's SSBCI application preparation Prof. Tom Harris of the University of Nevada, Reno (UNR) Department of Economics conducted an economic impact assessment of all of the proposed SSBCI programs. The economic impact was assessed as economic, employment, labor income, value added, and financial impact estimated by employing the IMPLAN microcomputer input-output model.

i. Venture Capital Program

During the operation phase the Venture Capital Program is expected to sustain total employment of 7,115 (that is, the summation of direct, indirect and induced jobs), with total labor income, value added, and financial impacts of approximately \$369.2 million, \$610.4 million, and \$1,037.9 million, respectively. These operation impacts are projected to reoccur.

The IMPLAN model estimates annual recurring total tax impacts. Impacts during the operation phase assume the Venture Capital Program projects are at fully 100 percent employment capacity. The IMPLAN model estimates that the Venture Capital Program projects will generate approximately \$144.9 million in combined total annual tax revenues

As a total of \$8,343,451.84 has been expended which represents 23.18 per cent of the total \$36,000,000 allocation to the venture capital program upon which the economic

impact assessment conducted by UNR is based, the above adjusted pro rata numbers of economic impact would be:

- Total employment 1,649 (that is, the summation of direct, indirect and induced jobs), with total labor income, value added, financial impacts of approximately \$85.58 million, \$141.49 million, and \$240.58 million, respectively. These operation impacts are projected to reoccur.
- The IMPLAN model estimates that the Venture Capital Program projects will generate approximately \$33.5 million in combined total annual tax revenues.

ii. Collateral Support Program

The Collateral Support Program will generate lasting impacts on the entire state which can be assessed by estimating respectively the initial construction and operational expenditures from the Collateral Support Program indirect effects. Those are caused by interactions of the state's economic sectors from purchases from other economic sectors. Induced effects from Collateral Support Program are the impacts on all state economic sectors caused by the expenditures of new household income generated by the direct and indirect effects.

Results will be shown for the Construction Phase and Operation Phase of the Collateral Program.

a. Construction phase

Direct employment from collateral Support Program would yield 246 jobs with a total state employment impact of 397 jobs. In other words, the Collateral Support Program generated an additional 151 jobs through indirect and induced economic activity in the state of Nevada economy.

Direct labor income, value added, and financial impacts in the economy of the state of Nevada was estimated to be approximately \$17.2 million, \$23.2 million, and \$40.6 million, respectively. Additionally, due to economic linkages in the state of Nevada economy from indirect and induced linkages, total labor income, value added, and financial impacts to the economy for the state of Nevada was estimated to approximately \$25.1 million, \$38.2 million, and \$66.5 million, respectively.

b. Operation phase

During the operation phase (after construction phase is completed), the Collateral Support Program projects are expected to sustain total employment of 792 (that is, the

summation of direct, indirect and induced jobs), with total labor income, value added, and financial impacts of approximately \$40.8 million, \$69.4 million, and \$118.4 million, respectively. These operation impacts are projected to reoccur.

IMPLAN model's tax output during Collateral Support Program operation phase. These estimates represent annual recurring total tax impacts. Impacts during the operation phase assume the Collateral Support Program projects are at fully 100 percent employment capacity. The IMPLAN model estimates that the Collateral Support Program projects will generate approximately \$6.2 million in combined total annual tax revenues.

As a total of \$3,633,253.88 has been expended which represents 36 per cent of the total \$10,156,523 allocation to the Collateral Support Program upon which the economic impact assessment conducted by UNR is based, the above adjusted pro rata numbers of economic impact would be:

- Construction Phase

Collateral Support Program generated an additional 54 jobs through indirect and induced economic activity in the state of Nevada economy. Direct labor income, value added, and financial impacts in the economy of the state of Nevada was estimated to be approximately \$6.2 million, \$8.3 million, and \$14.6 million, respectively. Additionally, due to economic linkages in the state of Nevada economy from indirect and induced linkages, total labor income, value added, and financial impacts to the economy for the state of Nevada was estimated to approximately \$9 million, \$13.7 million, and \$23.9 million, respectively.

- Operation Phase

During the operation phase the Collateral Support Program (after construction phase is completed), projects are expected to sustain total employment of 285 (that is, the summation of direct, indirect and induced jobs), with total labor income, value added, and financial impacts of approximately \$14.7 million, \$24.9 million, and \$42.6 million, respectively. These operation impacts are projected to reoccur.

IMPLAN model's tax output during Collateral Support Program operation phase. These estimates represent annual recurring total tax impacts. Impacts during the operation phase assume the Collateral Support Program projects are at fully 100 percent employment capacity. The IMPLAN model estimates that the Collateral Support Program projects will generate approximately \$2.2 million in combined total annual tax revenues.

iii. Loan Participation – Microloan Program

During the operation phase the LPP Micro Loan Program projects are expected to sustain total employment of 1,235 (that is, the summation of direct, indirect and induced jobs), with total labor income, value added, and financial impacts of approximately \$64.1 million, \$105.9 million, and \$180.1 million, respectively. These operation impacts are projected to reoccur.

Impacts during the operation phase assume the LPP Micro Loan Program projects are at fully 100 percent employment capacity. The IMPLAN model estimates that the LPP Micro Loan Program projects will generate approximately \$25.1 million in combined total annual tax revenues.

As a total of \$524,000 of SSBCI funds has been expended which represents 3.3 per cent of the total \$15,900,000 allocation to the venture capital program upon which the economic impact assessment conducted by UNR is based, the above adjusted pro rata numbers of economic impact would be:

- During the operation phase the LPP Micro Loan Program projects are expected to sustain total employment of 40 (that is, the summation of direct, indirect and induced jobs), with total labor income, value added, and financial impacts of approximately \$2.1 million, \$3.49 million, and \$5.94 million, respectively. These operation impacts are projected to reoccur.
- Impacts during the operation phase assume the LPP Micro Loan Program projects are at fully 100 percent employment capacity. The IMPLAN model estimates that the LPP Micro Loan Program projects will generate approximately \$828,300 in combined total annual tax revenues.

2. Economic Impact Analysis – Lightcast

In addition to the economic impact assessment conducted as part of Nevada's SSBCI application preparation by Prof. Tom Harris of the University of Nevada, Reno (UNR) Department of Economics, GOED has conducted its own economic impact analysis using Lightcast's EMSI modeling.

In contrast to the UNR utilized IMPLAN microcomputer input-output model which calculated economic impact based on the total allocation at the respective SSBCI program level, the Lightcast

model which was applied by GOED, analyzes economic impact *for each individual company* that received an investment or loan from a SSBCI program.

EMSI's multi-regional social accounting matrix (MR-SAM) modeling system is a “comparative static” type model in the same general class as RIMS II (Bureau of Economic Analysis) and IMPLAN (Minnesota Implan Group)². It relies on a matrix representation of industry-to-industry purchasing patterns originally based on national data which are regionalized with the use of local data and mathematical manipulation (i.e., non-survey methods). Models of this type estimate the ripple effects of changes in jobs, earnings, or sales in one or more industries upon other industries in a region. The EMSI model shows final equilibrium impacts—that is, the user enters a change that perturbs the economy, and the model shows the changes required to establish a new equilibrium. As such, it is not a “dynamic” type model that shows year-by-year changes over time (as REMI’s does).

i. Venture Capital Program

Total Economic Impact of Venture Capital Program Portfolio Company

| | |
|---------------------------------|-----------------|
| Adaract | \$ 1,961,507.93 |
| Air Corp | \$ 5,730,177.15 |
| AI Foundation | \$ 2,011,143.07 |
| Carewear | \$ 4,094,692.45 |
| Cartwheel Robotics | \$ 1,074,558.17 |
| Click Bio (total, 2 rounds) | \$ 1,556,837.89 |
| Clotheslyne (total, 2 rounds) | \$ 273,881.66 |
| Create Good Foods | \$ 2,073,308.28 |
| Daya Medical (total, 2 rounds) | \$13,614,976.48 |
| Dog & Whistle | \$ 605,223.00 |
| Drain Drawer | \$ 347,492.45 |
| Ecoatoms | \$ 8,668,630.38 |
| Elly Health | \$ 2,773,587.83 |
| Grant Cycle | \$ 955,029.53 |
| Hibear (total, 2 rounds) | \$ 381,363.89 |
| Let's Rolo | \$ 1,196,558.35 |
| Luci Hub | \$ 1,723,836.92 |
| Loop Software (total, 2 rounds) | \$ 1,614,273.54 |
| Melzi | \$ 1,917,395.44 |

² The MR-SAM model is thus not an “econometric” model or an econometric-I-O hybrid model such as Policy Insight (developed by Regional Economic Models Inc.).

| | |
|--------------------------------------|-----------------|
| Mighty Well Foods | \$ 518,327.07 |
| Neuroreserve | \$ 1,561,450.55 |
| Phone2 | \$ 1,910,696.37 |
| Prosper Technology (total, 2 rounds) | \$ 2,865,088.58 |
| Quantum Copper | \$ 2,256,994.48 |
| Semi Exact | \$ 2,427,774.29 |
| Silica Nexus | \$ 5,399,734.84 |
| Terbine | \$ 3,285,141.54 |
| TuBiomics | \$ 3,467,452.15 |
| SAGE Brands/ Battle Born Beer | \$ 1,352,598.96 |
| SeeID (total, 2 rounds) | \$ 3,851,411.66 |
| Standard Measure Tech/ Nailstry | \$ 518,945.96 |
| Surgistream | \$ 1,767,454.58 |
| Tensorwave | \$ 1,076,754.59 |
| Tilt AI | \$35,336,092.43 |
| Project Cornell/ Visionaid | \$ 855,869.26 |
| Vistro (total, 2 rounds) | \$ 967,752.59 |
| Zencentiv | \$ 2,651,181.86 |

ii. Collateral Support Program

Total Economic Impact of Collateral Support Program Portfolio Company

| | |
|---------------------|-----------------|
| Full Tilt Logistics | \$ 4,667,249.25 |
| KR Properties | \$ 7,720,850.74 |
| Train Out Loud | \$ 3,340,507.85 |
| Vantage Concepts | \$30,389,037.27 |

iii. Loan Participation Microloan Program

Total Economic Impact of LPP Microloan Program Portfolio Company

| | |
|----------------------------|----------------|
| Aspire Behavioral Services | \$2,937,279.28 |
| CBK Salon | \$ 507,278.51 |
| Cutting Edge Contractors | \$3,980,632.22 |

| | |
|--------------------------------|----------------|
| Draco Logistics | \$ 748,938.87 |
| Fingerprinting Express | \$3,553,977.03 |
| Full Function Physical Therapy | \$ 410,986.79 |
| Global Fertility | \$ 345,801.58 |
| HH Management | \$ 117,332.17 |
| Validity Construction Services | \$3,541,387.68 |

iv. Total Economic Impact, Lightcast of SSBCI Program (based on current holdings)

| | |
|---------------------------|-------------------------|
| Venture Capital | \$124,645,196.15 |
| Collateral Support | \$ 46,117,645.11 |
| LPP Microloan | \$ 16,143,614.13 |

3. Other Considerations for public interest assessment

i. Socially and Economically Disadvantaged Individuals run small businesses

SSBCI is designed to catalyze private capital in the form of loans to and investments in small businesses, especially in historically underserved communities and among entrepreneurs who may have otherwise lacked the support needed to pursue their business ambitions. Specifically, the SSBCI statute, 12 USC 5704(e)(8), requires states to report to the US Treasury Department how the state plans to use federal program funds to provide access to capital for small businesses in low- and moderate-income, minority, and other underserved communities, including women- and minority-owned small businesses (collectively, underserved communities).

US Treasury's disbursement to Nevada's SSBCI Program contains a SEDI Allocation of \$13,629,033 that must be allocated to eligible small businesses, as part of the state's total \$112,956,523 SSBCI Capital Program allocation. In addition, Nevada would qualify for a further \$7,268,818 if the state met its SEDI Objective target of 48.85 percent³. SEDI-owned businesses are defined as business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI)⁴. **As of October 31, 2024, NBBGEI has reported an**

³ By meeting this objective, the state will become eligible for SEDI Incentive allocation during the second tranche of the SSBCI Capital Program.

⁴ SEDI = "Socially and Economically Disadvantaged Individuals", US Treasury definition: see <https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>, pp. 8-12

allocation of 71 percent to Nevada SEDI small businesses, comfortably exceeding US Treasury's target.

Investment and/or loans to SEDI companies are making a crucial contribution to the equitable distribution of capital benefitting companies that previously have had challenges accessing financing. Capital distribution in line with Nevada's SEDI Objective should also mirror the state's demographic structure. It is one of Nevada's SSBCI Program goals that over time approved applications to our SSBCI Programs should reflect the population structure of this state.

ii. Increasing the number of technology-intensive companies

The Venture Capital Program is committed to supporting commercialization of Nevada's research university's IP by offering capital during a phase in which most traditional VC will not participate. This increases the chance of the company passing the "valley of death" to reach commercial viability. The investment will make a valuable contribution to the formation and growth of deep-technology⁵ startups and early-stage companies in Nevada, a segment where the state that has lagged behind other states. NBBGEI has been investing in an increasing number of deep-tech companies with links to Nevada's research universities. Examples are:

Adaract – synthetic muscle powered prosthesis

SEE ID – industrial IoT (the company has won numerous SBIR grants/ contracts)

Cartwheel Robotics – robotics actuator technology (the company is forming a collaboration with UNR)

Ecoatoms – payloads for space flights facilitating testing and production of biotech products (the company is a UNR NCAR affiliated company)

Heligenics – diagnostics, gene variant testing (UNLV spinout company based on UNLV IP)

Quantum Copper – fire retardant battery components (UNLV spinout company based on UNLV IP)

⁵ Deep-tech companies have a higher propensity to scale and employ highly skilled staff which presents opportunities for Nevada's science and engineering graduates. However, such companies in this early stage require longer capital support.

iii. Small businesses with products benefitting society

Many small businesses that have been recipients of investment and/or loan capital target specific problems which represent a positive *auxiliary* impact beyond mere economic considerations, therefore, furthering the public interest. Examples are:

Adaract – synthetic muscle powered prosthesis

Carewear – pain treatment and remote therapeutic monitoring

Daya Medical – medication adherence

Fingerprinting Express – investigation services

Full Function Physical Therapy – physical therapy

Global Fertility – family planning

Grantcycle – grant impact monitoring

Melzi – medical device manufacturer

Neuroreserve – neurological health

Vision Aid – improve performance for legally blind and low vision individuals

Full Tilt Logistics – delivering cost advantages for logistics and transportation

IX. NBBGEI Financials

i. Financials and Audit

Nevada Battle Born Growth Escalator, Inc. (NBBGEI) current financials as of October 31, 2024 including Balance Sheet, Income Statement, and Business Cash Flow Summary are included in the attachment of this report. NBBGEI has engaged Barnard Vogler & Co. to audit the entity's most recent financial statements as of June 30, 2023. The engagement letter is included in the attachment of this report.

Barnard Vogler & Co. commenced their audit field work in October 2024 and will issue their final report end November / beginning December, 2024. NBBGEI's Board of Directors will subsequently approve the audit report at their next board meeting.

Upon completion of the June 30, 2023 financial audit and NBBGEI Board approval, NBBGEI will commence the audit of its financials ending June 30, 2024.

ii. “Component Unit” of the State of Nevada

NBBGEI met with the Chief Deputy Controller in early November 2024, and it was determined by the Office of the State Controller that NBBGEI is **not** being categorized as a “Component Unit” of the state. A memo by the Office is currently being prepared.

The component unit question is also being addressed in NBBGEI’s current audit report.

X. APPENDIX

- NBBGEI Balance Sheet as of October 31, 2024
- NBBGEI Income Statement as of October 31, 2024
- NBBGEI Business Cash Flow Summary as of October 31, 2024
- Audit Engagement Letter dated August 12, 2024
- “Component Unit” of the State of Nevada – Memo Office of the State Controller

Balance Sheet

Nevada Battle Born Growth Escalator Inc As of October 31, 2024

OCT 31, 2024

Assets

Current Assets

Cash and Cash Equivalents

| | |
|--|---------------------|
| Chase - Funding Account - 8055 | 735,549.55 |
| Chase - Operating - 8030 | 618,474.83 |
| Total Cash and Cash Equivalents | 1,354,024.38 |

| | |
|-----------------------------|---------------------|
| Accounts Receivable | 129,632.32 |
| Fidelity | 650,341.25 |
| Total Current Assets | 2,133,997.95 |

Long Term Assets

| | |
|---|----------------------|
| Accrued Interest - LPP | 177,558.96 |
| Investments - Program Related - CSP | 3,371,228.97 |
| Investments - Program Related - LPP | 130,901.74 |
| Investments - Program Related - MicroLoan | 5,300,000.00 |
| Investments - Program Related - VC | 11,217,999.30 |
| Total Long Term Assets | 20,197,688.97 |

| | |
|---------------------|----------------------|
| Total Assets | 22,331,686.92 |
|---------------------|----------------------|

Liabilities and Equity

Liabilities

Current Liabilities

| | |
|----------------------------------|-----------------|
| Accounts Payable | 9,578.23 |
| Chase - CC - Mendy - 1418 | 243.96 |
| Total Current Liabilities | 9,822.19 |

| | |
|--------------------------|-----------------|
| Total Liabilities | 9,822.19 |
|--------------------------|-----------------|

Equity

| | |
|----------------------------|----------------------|
| Current Unrestricted funds | 3,439,221.28 |
| Current Year Earnings | 4,529,474.61 |
| Retained Earnings | 14,353,168.84 |
| Total Equity | 22,321,864.73 |

| | |
|-------------------------------------|----------------------|
| Total Liabilities and Equity | 22,331,686.92 |
|-------------------------------------|----------------------|

These financial statements have not been subjected to an audit, review, or compilation engagement, and no assurance is provided on them.

Income Statement (Profit and Loss)

Nevada Battle Born Growth Escalator Inc For the 12 months ended October 31, 2024

NOV 2023-OCT 2024

Income

| | |
|---|----------------------|
| Direct State Support | 10,244,502.23 |
| Investments: Interest Income - CSP | 6,608.97 |
| Investments: Interest Income - LPP | 23,547.61 |
| Investments: Interest Income - VC | 29,846.50 |
| Other Types of Income:Miscellaneous Revenue | 70.00 |
| Total Income | 10,304,575.31 |

Gross Profit

10,304,575.31

Operating Expenses

| | |
|---|---------------------|
| Business Expenses | 231.69 |
| Business Expenses:Business Registration Fees | 123.00 |
| Business Expenses:Website | 4,733.22 |
| Contract Services | 1,177,088.30 |
| Facilities and Equipment:Rent, Parking, Utilities | 22,486.06 |
| Loan Fees - CSP | (58,500.00) |
| Operations | 9,875.33 |
| Operations:Bank service fees | 942.47 |
| Operations:Books, Subscriptions, Reference | 1,990.91 |
| Operations:Insurance - Liability, D and O | 6,824.19 |
| Operations:Printing and Copying | 607.27 |
| Operations:Telephone, Telecommunications | 1,041.84 |
| Travel and Meetings | 1,363.55 |
| Travel and Meetings:Travel | 4,867.31 |
| Total Operating Expenses | 1,173,675.14 |

Operating Income

9,130,900.17

Net Income

9,130,900.17

These financial statements have not been subjected to an audit, review, or compilation engagement, and no assurance is provided on them.

Business Cash Flow Summary

Nevada Battle Born Growth Escalator Inc
For the 12 months ended October 31, 2024

NOV 2023-OCT 2024

Operating Activities

| | |
|---|---------------------|
| Receipts from customers | 10,174,942.99 |
| Payments to suppliers and employees | (1,313,596.91) |
| Net Cash Flows from Operating Activities | 8,861,346.08 |

Investing Activities

| | |
|---|-----------------------|
| Other cash items from investing activities | (7,862,704.44) |
| Net Cash Flows from Investing Activities | (7,862,704.44) |

Financing Activities

| | |
|---|---------------|
| Other cash items from financing activities | 170.98 |
| Net Cash Flows from Financing Activities | 170.98 |

| | |
|-----------------------|-------------------|
| Net Cash Flows | 998,812.62 |
|-----------------------|-------------------|

Cash and Cash Equivalents

| | |
|--|-------------------|
| Cash and cash equivalents at beginning of period | 355,211.76 |
| Net cash flows | 998,812.62 |
| Cash and cash equivalents at end of period | 1,354,024.38 |
| Net change in cash for period | 998,812.62 |



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August 12, 2024

Mendy Elliot
Chief Executive Officer
Nevada Battle Born Growth Escalator, Inc.
Carson City, Nevada

The following represents our understanding of the services we will provide Nevada Battle Born Growth Escalator, Inc.

You have requested that we audit the modified cash-basis financial statements of the governmental activities and the general fund of Nevada Battle Born Growth Escalator, Inc. (the Organization) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements.

The objectives of our audit of the financial statements 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 auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States (*Government Auditing Standards*) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and 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.

Accounting principles generally accepted in the United States of America, (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's Discussion and Analysis

Auditor Responsibilities

We will conduct our audits in accordance with (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

As part of an audit of financial statements in accordance with GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 controls.
- 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nevada Battle Born Growth Escalator, Inc.'s ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of Nevada Battle Born Growth Escalator, Inc.'s compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- 1) For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- 2) 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and

- 3) To provide us with:
- a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the entity and others from whom we determine it necessary to obtain audit evidence.
 - d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
 - e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- 4) For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
 - 5) For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
 - 6) For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
 - 7) For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
 - 8) For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
 - 9) For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
 - 10) For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
 - 11) For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
 - 12) For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in the system of internal control and others where fraud could have a material effect on the financials; and
 - 13) For the accuracy and completeness of all information provided;
 - 14) For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including your understanding of your responsibilities as defined in this letter to us in your management representation letter.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

With respect to any nonattest services we perform, we will assist in the preparation of the financial statements and related notes as of June 30, 2023..

We will not assume management responsibilities on behalf of Nevada Battle Born Growth Escalator, Inc. However, we will provide advice and recommendations to assist management of Nevada Battle Born Growth Escalator, Inc. in performing its responsibilities.

Nevada Battle Born Growth Escalator, Inc.'s management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. .

Our responsibilities and limitations of the engagement are as follows:

- We will perform the services in accordance with applicable professional standards, including the Standards issued by the AICPA.
- The nonattest services are limited to the financial statement preparation assistance previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Reporting

We will issue a written report upon completion of our audit of Nevada Battle Born Growth Escalator, Inc.'s basic financial statements. Our report will be addressed to the board of directors of Nevada Battle Born Growth Escalator, Inc. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

We also will issue a written report on our testing of internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing upon completion of our audit.

Other

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. For example, such transmissions might include, but not be limited to technology contractors and data storage providers. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. By your signature you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Jamie Lawson is the engagement director for the audit services specified in this letter. Her responsibilities include supervising Barnard, Vogler & Co.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. We estimate that our fee for the audit will be \$43,000 for the audit. Further, we will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the Organization's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the Board of Directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Barnard, Vogler & Co. and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal and/or state agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Barnard, Vogler & Co.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report. below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event that we are required to respond to a subpoena, court order, or other legal process for the production of documents and/or testimony relative to information obtained and/or prepared during the course of our engagement, you agree to compensate us at our hourly rates for forensic or litigation services, for the time we expend in connection with such responses, and to reimburse us for all of our out-of-pocket expenses incurred in that regard, including but not limited to reasonable attorneys' fees incurred by us in connection with responding or objecting to the scope of an information request, or incurred as a result of your refusal to provide written consent to produce subpoenaed documents or provide the required testimony.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

In accordance with the requirement of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements and compliance over major award programs, including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Sincerely,

Barnard, Vogler & Co.

RESPONSE:

This letter correctly sets forth our understanding.

Nevada Battle Born Growth Escalator, Inc.

Acknowledged and agreed on behalf of Nevada Battle Born Growth Escalator, Inc.

Officer signature: *Mendy K. Elliott*

Title: Chief Executive Officer

Date: 08/13/2024

Board signature:

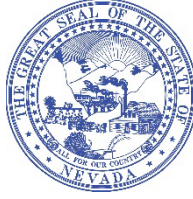
A handwritten signature in black ink, appearing to be 'J. H. H. H.', written over a horizontal line.

Title:

Secretary

Date:

8/14/2024



**OFFICE OF THE
STATE CONTROLLER**

November 22, 2024

Potential Component Unit in question:

NBBGEI = Nevada Battle Born Growth Escalator, Inc.

This is a nonprofit corporation formed under AB17 (2015). There are seven board members. The Executive Director of the Office of Economic Development serves as the chair of the board of directors and appoints four members from the private sector. Two other members serve on the board, one appointed by the Speaker of the Assembly and one appointed by the Senate Majority Leader.

Discussion:

On November 8, 2024, James Smack and Jocelyn Holly of the Controller's Office and Kurt Schlicker and Laura Nelson of Eide Bailly held a conference call with Christine Guerci, legal counsel for Nevada Battle Born Growth Escalator, Inc. (NBBGEI), about the potential component unit.

There was some confusion about the relationship between Battle Born Venture and NBBGEI. Christine clarified that Battle Born Venture is not an entity, but a program run by GOED that is in BA 1521 - NV SSBCI Program. NBBGEI is a separate entity that holds investments for the program in a custodial capacity, along with federal funds. It was discussed that NBBGEI has a separate board, of which the Director of GOED appoints a majority; however, the board can outvote the chair.

The parties continued through a series of if/then questions through a GASB 61 flowchart to ensure all parties were comfortable with the same conclusion.

Conclusions:

Based on the findings from the GASB61 flowchart, the Controller's Office and Eide Bailly concluded that NBBGEI is a related organization and does not qualify as a component unit under GASB 61 since:

- The State cannot impose its will:
 - Board members can only be removed for cause, not at will
 - No ability to modify NBBGEI's budget

- N/A for fees/rates
- No ability to veto, overrule or modify the decisions of the board
- Does not have the ability to appoint, hire, reassign, or dismiss management (the NBBGEI board does)
- There is no financial benefit/burden to the State
 - The State is not legally entitled to or can otherwise access NBBGEI's resources
 - The State is not legally obligated nor assumed obligations of NBBGEI
 - There are no non-exchange transactions between the State and NBBGEI that would give an implicit benefit/burden relationship, it is a contractual relationship and/or grantor/grantee relationship.
- It is not misleading to exclude under GASB 39
 - Resources are not for the benefit of the State itself or indirectly benefiting the State government. NBBGEI serves Nevada start-up businesses.

Therefore, NBBGEI will not be reported as a component unit of the State.

Respectfully submitted,



James Smack
Chief Deputy Controller



BARNARD VOGLER & CO.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nevada Battle Born Growth Escalator, Inc

Report on the Financial Statements

Opinion

We have audited the modified cash basis financial statements of the governmental activities and the general fund of Nevada Battle Born Growth Escalator, Inc. (the "Organization"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Nevada Battle Born Growth Escalator, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements, referred to above, present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the general fund of Nevada Battle Born Growth Escalator, Inc, as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nevada Battle Born Growth Escalator, Inc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 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 opinions are not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

We draw attention to Note 1 of the financial statements, which describes the change in accounting principle. The financial statements were prepared with a change in accounting principle related to interest accruals and amounts owed to the State under the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2023

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
JUNE 30, 2023

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, 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.

Auditors' 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 auditors' 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 GAAS and *Government 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 GAAS and *Government 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 Nevada Battle Born Growth Escalator, Inc.'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 Nevada Battle Born Growth Escalator, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nevada Battle Born Growth Escalator, Inc.'s basic financial statements. Management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2025, on our consideration of Nevada Battle Born Growth Escalator, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nevada Battle Born Growth Escalator, Inc's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nevada Battle Born Growth Escalator, Inc's internal control over financial reporting and compliance.

Barnard, Vogler, & Co.

Reno, Nevada
January 22, 2025



NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The management's discussion and analysis of Nevada Battle Born Growth Escalator, Inc.'s (the "Organization") financial condition and activities for the fiscal year ended June 30, 2023 is presented in conjunction with the audited financial statements.

The Organization is a 501(c)(3) incorporated in the State of Nevada. The Organization was formed by the Nevada Governor's Office of Economic Development ("GOED") in accordance with Nevada Revised Statute 231.0545 in 2015 and has evolved into an independent entity which is not classified as a component unit of the state and is not included in the State of Nevada's Financial Statements.

Under contract from GOED, the organization operates Nevada's Small Business Credit Initiate ("SSBCI") program. SSBCI is a federal program through which the State of Nevada was allocated federal funding to support small businesses and entrepreneurship in communities across the State by providing capital to promote small business stability, growth, and success. The Organization operates five (5) individual SSBCI programs, maintains and holds all investments, including legacy investments from prior SSBCI programs.

Financial Highlights

The Organization's net position at year-end 2023 increased over year-end 2022 by \$6,362,496.

Overview of Annual Financial Report

The Organization filed the enclosed financial statements pursuant to the Governmental Accounting Standards Board (GASB). GASB Statement No. 76 sets establishes the test for whether an independent organization is considered a governmental entity for purpose of accounting. An independent organization may be required to present its financial statements in accordance with GASB if:

- Popular election of officer or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments;

The Organization's governing body (Board of Directors) consists of (a) the Executive Director of Governor's Office of Economic Development ("GOED"), acting as chairman; (b) four persons chosen from the private sector who have at least ten (10) years of experience in the field of investment, finance, accounting, technology, commercialization or banking, who are appointed by the Executive Director and approved by the GOED Board; (c) one member appointed by the Nevada Speaker of the Assembly; and (d) one member appointed by the Nevada Senate Majority Leader. Because the Organization's Board is appointed by officials of the State, it is considered to be a governmental entity for accounting and financial reporting purposes.

The Board of Directors have selected to use the modified cash basis accounting for financial reporting. The financial statements have been prepared in accordance with modified cash basis as it applies to governmental entities. The financial statements include a statement of net position/fund balance – modified cash basis and governmental fund balance sheet, a statement of activities and changes in fund balance – modified cash basis and governmental fund revenue, expenditures and changes in fund balance, and notes to the financial statements.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

The basic financial statements include:

The statement of net position and governmental fund balance sheet present the financial position of the Organization on the modified cash basis. This statement provides information about the nature and amounts of resources and obligations at year-end including the Organization's assets and liabilities, with the difference reported as net position and fund balance. Over time, increases and decreases in net position and fund balance are one indicator of whether the financial position of the Organization is improving or deteriorating.

The statement of activities and governmental fund revenue, expenditures and changes in fund balance present the results of the activities over the course of the fiscal year and information as to how the fund balance and net position changed during the year. The fund balance and net position changes under the modified cash basis when revenue is received or expenditures are made.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Organization's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

During the fiscal year, a prior period adjustment increased the beginning net position and fund balance from \$4,241,179 to \$4,437,135, reflecting an increase of \$195,956. This includes \$179,742 from retrospectively recognized interest income and receivables on convertible promissory notes, and \$16,214 from an investment value adjustment due to note conversion in a prior period.

Financial Analysis

The following is a summary of financial position (modified cash basis) based upon the government-wide financial statement as of June 30:

| | 2023 | 2022 |
|---------------------------------|---------------|--------------|
| Current assets | \$ 747,614 | \$ 1,466,180 |
| Long-term assets | 10,271,017 | 2,970,955 |
| Total assets | 11,018,631 | 4,437,135 |
| Total liabilities | 219,000 | - |
| Unrestricted/Total net position | \$ 10,799,631 | \$ 4,437,135 |

The following is a summary of revenue and expenses/expenditures (modified cash basis) for the years ended June 30:

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| Contribution and grant income | \$ 8,130,480 | \$ 1,514,979 |
| Investment income | 22,567 | 61,000 |
| Admin fee income | 4,380 | - |
| Total income | 8,157,427 | 1,575,979 |
| Total expenditures/expenses | 1,794,931 | 859,888 |
| Change in net position | 6,362,496 | 716,091 |

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Results of Operations

Change in net position increased by \$5,646,405 year over year ended June 30, 2023. Total income increased by \$6,581,448 mainly due to an increase of \$6,615,501 in operating contracts awarded, and a decrease of \$34,053 in investment income from interest bearing convertible promissory notes. Total expenditures increased by \$935,043, mainly due to an increase in expenditures for operating contracts of \$740,656, one time small business loan administration fee of \$100,000, and impairment loss on investments of \$100,000.

Capital Asset and Debt Administration

The Organization has no capital assets or debt obligations.

Final Comments

This report is designed to provide the reader with a general summary of the Organization's financial positions and operations. As such, it should be reviewed in conjunction with the audited financial statements and the accompanying disclosure notes. Questions concerning the information provided in this report, or requests for additional information should be addressed to the Chairman of the Board, Thomas Burns, at 808 W. Nye Lane, Suite 204, Carson City, NV 89703.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET -
MODIFIED CASH BASIS
JUNE 30, 2023

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|---------------------------------------|----------------------|--------------------|--------------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 747,614 | \$ - | \$ 747,614 |
| Total Current Assets | <u>747,614</u> | <u>-</u> | <u>747,614</u> |
| Long-term Assets | | | |
| Interest receivable | 33,941 | - | 33,941 |
| Investments | 4,718,076 | - | 4,718,076 |
| Collateral support | 219,000 | - | 219,000 |
| Small business loans | <u>5,300,000</u> | <u>-</u> | <u>5,300,000</u> |
| Total Long-term Assets | <u>10,271,017</u> | <u>-</u> | <u>10,271,017</u> |
| Total Assets | 11,018,631 | - | 11,018,631 |
| LIABILITIES AND NET POSITION | | | |
| Current Liabilities/Total Liabilities | | | |
| Funds owed to State | <u>219,000</u> | <u>-</u> | <u>219,000</u> |
| Fund Balance | | | |
| Unassigned | <u>\$ 10,799,631</u> | (10,799,631) | |
| Net Position | | | |
| Unrestricted | | <u>10,799,631</u> | <u>10,799,631</u> |
| Total Net Position | | <u>\$ -</u> | <u>\$ 11,018,631</u> |

See accompanying notes

NEVADA BATTLE BORN GROWTH ESCALATOR, INC
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-----------------------------|--------------------|------------------------------------|
| Expenditures/Expenses | | | |
| Operating contracts | \$ 1,540,656 | \$ - | \$ 1,540,656 |
| Investment impairment loss | 100,000 | - | 100,000 |
| Facilities and equipment | 22,258 | - | 22,258 |
| Insurance | 6,352 | - | 6,352 |
| Business expense | 24,611 | - | 24,611 |
| Bank service fees | 1,054 | - | 1,054 |
| Loan fees | 100,000 | - | 100,000 |
| Total operating expenses | <u>1,794,931</u> | <u>-</u> | <u>1,794,931</u> |
| General Revenues | | | |
| Contribution and grant income | 8,130,480 | - | 8,130,480 |
| Interest income | 22,567 | - | 22,567 |
| Admin fee income | 4,380 | - | 4,380 |
| Total operating revenues | <u>8,157,427</u> | <u>-</u> | <u>8,157,427</u> |
| Change in Fund Balances/Net Position | 6,362,496 | - | 6,362,496 |
| NET POSITION, beginning of year, as previously reported | 4,257,393 | - | 4,257,393 |
| Change in interest accrual and payable to the State | <u>179,742</u> | <u>-</u> | <u>179,742</u> |
| NET POSITION, beginning of year, restated | 4,437,135 | - | 4,437,135 |
| NET POSITION, end of year | <u><u>\$ 10,799,631</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 10,799,631</u></u> |

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity: Nevada Battle Born Growth Escalator, Inc. (the "Organization") is a 501(c)(3) incorporated in the State of Nevada which operates Nevada's State Small Business Credit Initiative (SSBCI) programs including an evergreen venture capital program under contract from the Nevada Governor's Office of Economic Development ("GOED"). The Organization's primary purpose is to promote, aid, and encourage economic development in the State of Nevada.

Measurement Focus: In the governmental statement of net position and statement of activities, the Organization's activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate. Only assets and liabilities recognized in accordance with the modified cash basis of accounting are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance presents sources and uses of available spendable financial resources during the reporting period. This fund uses fund balance as the measure of available spendable financial resources at the end of the period.

Basis of Accounting: The financial statements are presented in accordance with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles ("GAAP") as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report, in the statement of net position or balance sheet, cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events. Donated investments to the Organization are not reported under the modified cash basis of accounting because they were not derived from a cash transaction.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Organization utilized GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All governmental financial statements would be presented in accordance with the modified cash basis of accounting.

Change in Accounting Principle: Effective for the fiscal year ended June 30, 2023, the Organization adopted a modification to its modified cash basis of accounting to recognize interest income, interest receivables, and amounts owed to the State. This change has been applied retrospectively to enhance the relevance and reliability of the financial statements.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

As a result of this change, the beginning fund balance and net position as of July 1, 2022, were increased by \$195,956 to reflect interest receivables retrospectively recognized for the prior period. Additionally, the change in the current year fund balance and net position reflects an increase of \$22,567 from interest revenue and a decrease of \$219,000 from funds owed to the state, netting a decrease of \$196,433 due to the change in accounting principle.

The newly adopted accounting principle was implemented to align with the modified cash basis of accounting, which incorporates cash transactions or events that result in benefits or obligations extending beyond the period of the transaction. By including interest receivables and amounts owed to the state, the financial statements now provide a more comprehensive view of the Organization's financial activities and obligations. This modification is preferable as it enhances clarity, consistency, and the accurate representation of cash-based transactions and their extended impacts.

Cash and Cash Equivalents: Cash and cash equivalents are short-term, highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted for long-term purposes.

Interest Receivables: Interest receivable is recorded on a modified cash-basis. Under this approach, interest receivable is recorded on an accrued basis to account for interest income earned but not yet received as of the balance sheet date. This ensures that the benefit derived from cash transactions involving purchases of interest-bearing convertible promissory notes is allocated to periods greater than the period in which the cash transactions occurred.

Investments: Investments are recorded at cost under the modified cash basis of accounting. These include equity holdings in small and medium-sized Nevada-based enterprises.

Collateral Support: Collateral support is recorded at cost under the modified cash-basis of accounting, representing the amount of cash the Organization deposited in the bank.

Small Business Loans: Small business loans are recorded at cost under the modified cash basis of accounting. This represents the amount of cash disbursed by the Organization for loans that remain outstanding as of the reporting date. The recorded balance reflects the actual cash provided to the borrower, excluding any accrued interest or other adjustments.

Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make judgments affecting reported amounts of assets, liabilities, and changes therein. Actual results may differ from these estimates.

Income Taxes: The Organization is organized as a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. It is required to file a Return of Organization Exempt from Income Tax (Form 990) annually with the Internal Revenue Service. Additionally, the Organization is subject to income tax on net income derived from activities unrelated to its exempt purposes. Management has determined that the Organization had no unrelated business income for the year ended June 30, 2023, and, accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization believes it has adequate support for the tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Equity Classifications:

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation. The Organization does not have net investment in capital assets.

Restricted net position – consists of net position with constraints placed on their use either by (1) external group such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Organization does not have restricted net position.

Unrestricted net position – consists of all other net position that does not meet the definition of net investment in capital assets or restricted net position.

The Organization's policy is to first apply expenditures against restricted net position balances, if applicable, and then unrestricted net position balances.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – represents amounts that are either not in spendable form or are legally or contractually required to remain intact. The Organization does not have any nonspendable fund balances.

Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The Organization does not have any restricted fund balances.

Committed – represents amounts which can be spent only for specific purposes determined by the members of the governing board's formal action through a resolution or action. The Organization does not have any committed fund balances.

Assigned – represents amounts which can be used only for specific purposes but do not require action by the governing board. The Organization does not have any assigned fund balances.

Unassigned – represents all amounts not included in other classifications.

The Organization's policy is to first apply expenditures against restricted fund balance, if applicable, and then committed, assigned, and then unassigned balances.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2023, the Organization held cash deposits totaling \$747,614 with Nevada State Bank, of which \$497,614 exceeded FDIC-insured limits. To date, the Organization has not experienced losses in any of these accounts. The Organization does not currently have a deposit policy related to custodial credit risk.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 3 - INTEREST RECEIVABLES

The Organization holds investments in interest-bearing convertible promissory notes issued by small and medium-sized companies in the State of Nevada. These notes carry annual interest rates ranging from 2% to 6% and provide the option to convert into equity of the issuing companies at specified conversion rates. Interest income recognized in the current year was \$22,567. Interest receivables represent accrued interest earned but not yet received as of the balance sheet date. Interest is due in accordance with the terms of the convertible notes unless converted into equity. In the event of conversion, the Organization will cease to recognize interest receivables from the converted notes.

NOTE 4 - INVESTMENTS

The Organization holds investments in convertible promissory notes and other equity instruments issued by small and medium-sized companies in the State of Nevada.

As of June 30, 2023, the total investments amounted to \$4,718,076, which includes \$505,000 in interest-bearing convertible promissory notes and \$4,213,076 in equity holdings. The convertible promissory notes are to be converted into equity securities at a future date. Management does not intend to collect interest payments on these notes, and interest income is recognized to allocate the economic benefits derived from these notes to periods beyond the period of conversion.

| Issuer | Purchase Price | Maturity Date | Interest Rate | Inception Date |
|------------------------|----------------------------|---------------|---------------|----------------|
| Atlas | \$ 40,000 | 2023 | 5% | 2022 |
| Prosper | 40,000 | 2024 | 5% | 2022 |
| Quantum Copper | 100,000 | 2024 | 2% | 2022 |
| Taber | 100,000 | 2025 | 5% | 2020 |
| Terbine | 225,000 | 2025 | 6% | 2022 |
| Total notes receivable | <u>\$ 505,000</u> | | | |
| Equity investment | <u>\$ 4,213,076</u> | | | |
| Total Investments | <u><u>\$ 4,718,076</u></u> | | | |

One note, originally issued in February 2020 for \$100,000, was amended in January 2023 to defer the first payment until January 1, 2024, with the final payment due on December 1, 2026. Should qualified financing occur before maturity, the outstanding principal and any unpaid interest will convert into equity securities of the issuing company.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 5 - COLLATERAL SUPPORT

The Organization has established a collateral support arrangement to enhance the collateral coverage for borrowers accessing financing. As of June 30, 2023, collateral support totaling \$219,000 was held as a cash deposit at Plumas Bank under the terms of the agreement. The Organization is entitled to an annual fee of 2% on the outstanding balance of the cash collateral, amounting to \$4,380, which was received and recognized as administrative fee income in the current year. The collateral serves as security for the borrower and remains in place until the underlying obligations are satisfied. In the event of a default, the lender may apply the collateral per the agreement's terms.

NOTE 6 - SMALL BUSINESS LOAN

As of June 30, 2023, the Organization provided loans totaling \$5,300,000 to CI Small Business Nevada, LLC (the "Borrower") as part of a financing arrangement to support business growth and operations. These loans are managed by Calvert Impact Small Business, LLC ("Lead Servicer"), which oversees loan payments, documentation, and compliance with terms. The loans are recorded at their outstanding principal balance, and interest is recognized upon receipt. Credit risk is mitigated through regular monitoring of the Borrower's financial health and compliance updates from the Lead Servicer. In the event of default, the Organization retains the right to recover outstanding amounts through legal or other means specified in the loan agreement.

NOTE 7 - IMPAIRMENT LOSS

The Organization recognized a \$100,000 impairment loss during the year ended June 30, 2023, due to the dissolution of certain portfolio companies. This loss represents an adjustment to the underlying asset and the Organization does not believe there is a recoverable value after evaluating available information, including asset liquidation. The impairment is recorded in the statement of activities under expenditures/expenses.

NOTE 8 - RELATED PARTY TRANSACTIONS

During the fiscal year 2023, the Organization engaged in transactions totaling \$124,688 with New Bean Capital, a firm whose CEO and Founder was a voting member of the Organization's Investment Committee. These transactions, involving contracted services and business expenses, were conducted at arm's length under terms comparable to those with unrelated parties and were approved by the Board of Directors to ensure compliance with governance policies and mitigate potential conflicts of interest.

NOTE 9 - COMMITMENTS

The Organization has entered into contractual commitments that require future use of financial resources, as follows:

The Organization entered into an accelerator development agreement with gener8tor to pay \$400,000 per year up to an aggregate amount of \$1,600,000 over two years for the costs of locating, starting up and administering an accelerator program. The Organization also agreed to fund \$1,000,000 in equity capital for the accelerator program participants, contingent upon the approved application and funding by the Organization.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 9 - COMMITMENTS (Continued)

The Organization entered into a services agreement with Compliance Solutions to pay \$120,000 per year for a contracted Chief Compliance Officer role. The Organization also entered into a service contract with Guerri Law PLLC to pay \$120,000 per year for a contracted Chief Legal/Compliance Officer role.

NOTE 10 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through January 22, 2025, the date the financial statements were authorized for issue.

Subsequent to the balance sheet date, a loss contingency was identified involving possible misappropriation of funds due to fraudulent activities by a bank employee. The investigation is ongoing, and while the outcome remains uncertain, no provision for loss has been recorded as of June 30, 2023. Any material loss confirmed in the future will be recognized in subsequent financial statements.



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

To the Board of Directors of
Nevada Battle Born Growth Escalator, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of Nevada Battle Born Growth Escalator, Inc (the "Organization") as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprises the Organization's basic financial statements, and have issued our report thereon dated January 22, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompany schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Other Matters

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

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Barnard, Vegler & Co.

Reno, Nevada
January 22, 2025



NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

2023-001**Internal Control Over the Preparation of Financial Statements****Material Weakness****Criteria:**

An internal control system is properly designed, implemented, and operating effectively for the preparation of financial statements in accordance with the modified cash basis of accounting.

Condition:

The Organization lacks an integrated internal control system to ensure the accurate preparation of financial statements and related disclosures. Internal financial statements were not correctly prepared, leading to inaccurate reporting of investments and revenue. Consequently, material adjustments were proposed during the audit.

Cause:

The Organization's financial tracking is limited due to the lack of internal control procedures for reviewing transactions, investment activities, and operating activities in a timely manner, resulting in reliance on separate systems such as Excel for investment transactions and Xero for bank transactions, which are not integrated to produce financial statements and disclosure notes.

Effect:

The absence of a comprehensive internal control system led to discrepancies in financial reporting, particularly for investments and revenue. This required material adjustments during the audit to correct inaccuracies in the reported balances.

Recommendations:

Management should implement a unified internal control system to integrate the tracking of all financial transactions, including bank and investment activities. This system should incorporate robust reconciliation, review, and approval procedures to improve the accuracy of internal financial statements. Regular reviews and audits should also be conducted to detect and address discrepancies promptly, enhancing the reliability of financial disclosures.

Management Response: Management is in agreement with the finding, and as of the date of this report, has completed the implementation of a sophisticated financial accounting/reporting system to address this finding.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

2023-002 Internal Control Policy and Segregation of Duties

Material Weakness

Criteria: Management bears the responsibility for establishing and maintaining an effective system of internal control over financial reporting. Essential components of this system include compliance with established policies, proper design and implementation of controls, their effective operation, and the segregation of duties.

Condition: Some management personnel are authorized to both record and approve journal entries within the accounting system without secondary approval. Additionally, established internal control policies were not consistently followed in key areas, including cash receipts, cash disbursements, investments, bank reconciliation reviews, and financial information provided to the board of directors.

Cause: The existing control framework does not adequately ensure segregation of duties for specific personnel responsible for journal entries. Moreover, although internal control policies are in place for cash-related processes, investments, and financial reporting, these were not consistently applied throughout the period under audit.

Effect: This control deficiency increases the risk of material misstatements due to errors or fraud that may not be promptly prevented or detected.

Recommendations: We recommend that the Organization enhance its internal control framework by strengthening segregation of duties to ensure that no individual has the authority to both record and approve journal entries without secondary oversight. Additionally, the Organization should focus on enforcing consistent compliance with established internal control policies, particularly in critical areas such as cash receipts, cash disbursements, investments, bank reconciliation reviews, and the preparation of financial information for the board of directors. These measures will help mitigate risks and improve the reliability of financial reporting processes.

Management Response: Management is in agreement with the finding, and as of the date of this report, has completed the implementation of a sophisticated financial accounting/reporting system and the hiring of additional personnel to address this finding.

NEVADA BATTLE BORN GROWTH ESCALATOR, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

2023-003**Investment Monitoring and Risk Assessment****Material Weakness**

Criteria: Management is responsible for designing and implementing a comprehensive system of internal controls to monitor and assess investments periodically. This system should address liquidity risk, equity dilution, and the timely identification and evaluation of impairment indicators to safeguard the Organization's financial interests.

Condition: The Organization has not implemented a formal internal control procedure to monitor and assess its investments on a periodic basis. Specifically, the organization lacks processes to assess the liquidity risk of invested companies, evaluate the dilution of its equity holdings in invested companies, identify indicators of impairment in invested companies on a timely basis, assess the extent of such impairment, and determine the recoverability of investments, if any.

Cause: The absence of these procedures results from gaps in the current internal control framework related to investment oversight and risk management.

Effect: Without adequate monitoring and assessment processes, the organization is at an increased risk of undetected or unmanaged investment losses, potential liquidity constraints, and impaired financial reporting accuracy.

Recommendations: We recommend that the organization develop and implement comprehensive internal control procedures to monitor and assess its investments regularly. These procedures should include mechanisms to evaluate the liquidity risk of invested companies, monitor changes in equity positions to identify potential dilution, and establish protocols for timely identification of impairment indicators. Additionally, the organization should implement processes to determine the extent of any impairments, assess recoverability, and ensure accurate reflection of investment values in financial statements. These measures will enhance financial oversight and reduce the risk of material misstatements related to investments.

Management Response: Management is in agreement with the finding, and as of the date of this report, has completed the implementation of a sophisticated financial accounting/reporting system and the hiring of additional personnel to address this finding.



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To the Board of Directors
Nevada Battle Born Growth Escalator, Inc.

In planning and performing our audit of the modified-cash basis financial statements of Nevada Battle Born Growth Escalator, Inc. as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Nevada Battle Born Growth Escalator's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nevada Battle Born Growth Escalator's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nevada Battle Born Growth Escalator's internal control.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency as discussed below.

We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing our recommendations.

GAAP and OCBOA Financial Statements:

Subsequent to June 30, 2023 Amendment #1 to Contract was agreed to between Nevada Battle Born Growth Escalator Inc and the Nevada Governor's Office of Economic Development (GOED). In the amended contract, it is noted that books and records are to be maintained under Generally Accepted Accounting Principles (GAAP). However, management has elected to maintain the records on an Other Comprehensive Basis of Accounting (OCBOA) using the modified cash-basis of accounting. Additionally, the modified cash-basis financial statements qualify for governmental accounting compliance under the Governmental Accounting Standards Board (GASB). This is related to the requirement under GASB Statement No. 76, whereby an independent organization may be required to present its financial statements in accordance with GASB if "popular election of officer or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments."

We recommend the Nevada Battle Born Growth Escalator Inc. review, and amend as needed, agreements with GOED to consistently note the elected basis of accounting.

This communication is intended solely for the information and use of the Board of Directors and management of the Nevada Battle Born Growth Escalator and is not intended to be, and should not be, used by anyone other than these specified parties.

Barnard, Vogler & Co.

Reno, Nevada
January 22, 2025



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January 22, 2025

Board of Directors
Nevada Battle Born Growth Escalator, Inc.
Carson City, NV

We have audited the modified cash-basis financial statements of the governmental activities and the general fund of Nevada Battle Born Growth Escalator, Inc. as of and for the year ended June 30, 2023, and have issued our report thereon dated January 22, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 12, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the modified cash-basis financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Nevada Battle Born Growth Escalator, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

- Management override of controls: in which the intervention by managers in the approval and/or processing of transactions is contrary to the entity's internal control system.
- Improper revenue recognition: in which revenue is recognized improperly for performance obligations that have not been satisfied as of June 30, 2023.
- Significant risk involving note receivable collectability: in which there is uncertainty regarding the collectability of principal and accrued interest from interest-bearing note receivables due to financial difficulties faced by counterparties or other credit risk factors as of June 30, 2023.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Nevada Battle Born Growth Escalator, Inc. is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the entity changed its method of accounting for recognizing interest income, interest receivable, and funds due to the state by modifying cash-basis of accounting. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Balance.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the estimates related to interest income from interest-bearing convertible promissory notes, which require management to assess the likelihood of collectability, the timing of cash flows, and the potential impact of conversion features, all of which are subject to significant judgment and uncertainty regarding future market conditions and counterparty creditworthiness.

Management's estimate of the interest income from interest-bearing convertible promissory notes is based on the note's outstanding principal balance, the stated interest rate in the purchase agreement, and the note's inception date. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the modified cash-basis financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting of Nevada Battle Born Growth Escalator, Inc.'s modified cash-basis financial statements relate to:

- Cash and cash equivalents
- Convertible promissory notes and investments
- Impairment loss
- Subsequent events

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. 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.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the modified cash-basis financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Nevada Battle Born Growth Escalator, Inc.'s financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated January 22, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Nevada Battle Born Growth Escalator, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Nevada Battle Born Growth Escalator, Inc.'s auditors.

Communication of Material Weakness in Internal Control

During our audit of Nevada Battle Born Growth Escalator, Inc.'s financial statements for the year ended June 30, 2023, we identified certain deficiencies in internal control that we consider to be material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

The material weaknesses identified are as follows:

- Internal Control over the preparation of modified cash-basis financial statements: Nevada Battle Born Growth Escalator, Inc. lacks an integrated system for accurate financial reporting, leading to material audit adjustments for investments and revenue. We recommend implementing a unified system with robust reconciliation and review procedures.
- Internal control policy and segregation of duties. Nevada Battle Born Growth Escalator, Inc. lacks proper segregation of duties, with some personnel authorized to both record and approve journal entries. Internal control policies were inconsistently applied in key areas such as cash processes, investments, and financial reporting. We recommend enhancing segregation of duties and enforcing adherence with internal control policies.
- Investment monitoring and risk assessment: Nevada Battle Born Growth Escalator, Inc. lacks formal procedures for timely impairment analysis of investments, increasing the risk of undetected impairments and inaccurate financial reporting. We recommend implementing controls to ensure regular evaluation and accurate reporting of investment values.

Other Communication

As part of our audit, we examined Nevada Battle Born Growth Escalator, Inc.'s compliance with certain provisions of laws, regulations, and contracts, as well as considerations of internal control over financial reporting, in accordance with Government Auditing Standards. The results of these procedures are included in a separate report titled, "Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of Nevada Battle Born Growth Escalator Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bernard, Vogler & Co.

