

# LIFTFUND, INC. AND AFFILIATE

Consolidated Financial Statements  
Independent Auditor's Reports  
Single Audit Reports  
Other Information

December 31, 2015

WEST, DAVIS & COMPANY, LLP  
*Certified Public Accountants*  
Austin, Texas

**LIFTFUND, INC. AND AFFILIATE**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
LiftFund, Inc.  
San Antonio, Texas

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of LiftFund, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LiftFund, Inc. and subsidiaries as of December 31, 2015, and the changes in their net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited LiftFund, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis, and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2016, on our consideration of LiftFund, 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 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 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 LiftFund, Inc.'s internal control over financial reporting and compliance.

*West, Davis & Company, LLP*

*Certified Public Accountants*

Austin, Texas

May 27, 2016

**LITFUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS FOR 2014)

<b>Assets</b>	2015	2014
Cash and cash equivalents	\$ 7,120,068	\$ 5,001,192
Cash, restricted	2,922,219	4,639,423
Receivables:		
Loans receivable, net of allowance for loan losses of \$3,047,169 in 2015 and \$2,768,434 in 2014	35,236,901	30,505,143
Grants and contributions receivable, net of allowance for cost refunds of \$51,993 in 2015 and \$141,993 in 2014	4,553,748	3,145,617
New Market Tax Credit loan receivable	4,454,220	4,454,220
Accrued interest receivable	274,948	225,952
Accrued late and NSF fees	40,332	31,176
Other	278,230	160,800
Prepaid expenses and other assets	443,693	507,633
Recovered asset inventory	66,514	80,684
Property and equipment, net of accumulated depreciation of \$2,520,489 in 2015 and \$2,136,547 in 2014	9,751,158	7,864,735
Total assets	\$ 65,142,031	\$ 56,616,575
<b>Liabilities and Net Assets</b>		
	2015	2014
Liabilities:		
Accounts payable	\$ 486,381	\$ 621,171
Accrued liabilities	535,462	1,035,776
Deferred revenue	35,609	38,392
Notes payable	40,266,353	37,982,874
Equity equivalents	10,002,500	3,143,895
Total liabilities	51,326,305	42,822,108
Commitments and contingencies		
Net assets:		
Unrestricted	9,127,269	8,380,452
Temporarily restricted	4,111,294	4,836,852
Permanently restricted	577,163	577,163
Total net assets	13,815,726	13,794,467
Total liabilities and net assets	\$ 65,142,031	\$ 56,616,575

The accompanying notes are an integral part of the financial statements.

**LIFTFUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			Total	2014
	Unrestricted	Temporarily restricted	Permanently restricted		
<b>Revenue and support:</b>					
Public support:					
Contributions	\$ 1,742,209	2,701,832	-	\$ 4,444,041	\$ 3,845,352
Governmental grants	2,518,642	1,043,214	-	3,561,856	3,128,949
Revenue:					
Interest	766	-	-	766	614
Loan interest and fees	5,661,067	-	-	5,661,067	5,846,535
Portfolio management services	352,833	-	-	352,833	271,055
SBA 504 income	1,407,366	-	-	1,407,366	1,184,423
Gain on sale of loans	121,781	-	-	121,781	76,617
Incubator - office space rental income	37,835	-	-	37,835	28,519
In-kind contributions	250,685	-	-	250,685	235,066
Miscellaneous revenue	22,761	-	-	22,761	39,759
Total public support and revenue	12,115,945	3,745,046	-	15,860,991	14,656,889
Net assets released from restrictions	4,470,604	(4,470,604)	-	-	-
<b>Total revenue and support</b>	<b>16,586,549</b>	<b>(725,558)</b>	<b>-</b>	<b>15,860,991</b>	<b>14,656,889</b>
<b>Expenses:</b>					
Program services - lending	14,169,052	-	-	14,169,052	12,607,026
Management and general	963,389	-	-	963,389	1,406,675
Fundraising	707,291	-	-	707,291	422,249
<b>Total expenses</b>	<b>15,839,732</b>	<b>-</b>	<b>-</b>	<b>15,839,732</b>	<b>14,435,950</b>
<b>Change in net assets</b>	<b>746,817</b>	<b>(725,558)</b>	<b>-</b>	<b>21,259</b>	<b>220,939</b>
Net assets at beginning of year	8,380,452	4,836,852	577,163	13,794,467	13,573,528
<b>Net assets at end of year</b>	<b>\$ 9,127,269</b>	<b>4,111,294</b>	<b>577,163</b>	<b>\$ 13,815,726</b>	<b>\$ 13,794,467</b>

The accompanying notes are an integral part of the financial statements.

**LIFTFUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 21,259	\$ 220,939
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of loans	(121,781)	(76,617)
Provision for loan losses	2,067,480	1,560,898
Depreciation	394,240	182,117
(Increase) decrease in operating assets		
Participation in Citi portfolio	-	22,103
Grants receivable	(1,408,131)	2,025,422
Accrued interest receivable	(48,996)	(43,310)
Accrued late and NSF fees	(9,156)	(8,488)
Other receivables	(117,430)	(67,751)
Prepaid expenses and other assets	63,940	(70,842)
Recovered asset inventory	14,170	-
Increase (decrease) in operating liabilities		
Accounts payable	(134,790)	(72,380)
Accrued liabilities	(500,314)	461,467
Deferred revenue	(2,783)	13,376
	<u>217,708</u>	<u>4,146,934</u>
<b>Cash flows from investing activities:</b>		
Disbursements under loan programs	(24,891,382)	(26,348,659)
Collections under loan programs	15,716,560	16,923,193
Proceeds from sale of loans	2,497,366	4,844,576
Purchase of property and equipment	(2,280,664)	(3,909,207)
	<u>(8,958,120)</u>	<u>(8,490,097)</u>
<b>Cash flows from financing activities:</b>		
Change in restricted cash	1,717,204	2,046,613
Proceeds from notes payable and equity equivalents	14,730,176	5,415,518
Repayments of notes payable and equity equivalents	(5,588,092)	(3,113,838)
	<u>10,859,288</u>	<u>4,348,293</u>
Net cash provided by investing activities	<u>(8,958,120)</u>	<u>(8,490,097)</u>
Net cash provided by financing activities	<u>10,859,288</u>	<u>4,348,293</u>
Net increase (decrease) in cash	2,118,876	5,130
Cash at beginning of year	<u>5,001,192</u>	<u>4,996,062</u>
<b>Cash at end of year</b>	<u>\$ 7,120,068</u>	<u>\$ 5,001,192</u>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 877,396</u>	<u>\$ 745,158</u>
In-kind donations of occupancy costs and interest	<u>\$ 250,685</u>	<u>\$ 235,066</u>

The accompanying notes are an integral part of the financial statements.

**LIFTFUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**  
(WITH COMPARATIVE TOTALS FOR 2014)

	Program Services	Supporting Services		2015 Total	2014
		Management and General	Fundraising		
Personnel costs:					
Salaries and wages	\$ 5,586,593	339,134	497,330	\$ 6,423,057	\$ 6,029,978
Payroll taxes	468,864	27,278	41,204	537,346	506,789
Employee benefits	724,081	37,251	30,961	792,293	722,180
<b>Total personnel costs</b>	<b>6,779,538</b>	<b>403,663</b>	<b>569,495</b>	<b>7,752,696</b>	<b>7,258,947</b>
Advertising	342,303	13,155	7,852	363,310	393,964
Conferences and meetings	216,989	64,097	8,340	289,426	319,845
Consultants	572,327	31,276	44,400	648,003	486,463
Dues and subscriptions	105,788	42,617	6,928	155,333	167,074
Equipment rental and maintenance	349,057	38,784	-	387,841	442,969
Insurance	162,830	9,046	9,046	180,922	136,097
Interest	944,006	-	-	944,006	811,768
In-kind interest	246,883	-	-	246,883	231,264
Mileage and parking	46,172	1,860	2,675	50,707	43,012
Occupancy	346,132	20,285	20,285	386,702	346,619
In-kind occupancy	3,802	-	-	3,802	3,802
Office supplies	43,952	9,353	929	54,234	74,386
Portfolio expenses	402,733	-	-	402,733	488,992
Postage	33,369	17,839	1,238	52,446	70,496
Printing	41,167	2,287	2,287	45,741	20,226
Professional fees	422,719	113,991	-	536,710	373,520
Loan loss provision	2,067,480	-	-	2,067,480	1,560,898
Service charges and fees	115,485	-	-	115,485	103,152
Taxes	49,660	2,759	2,759	55,178	63,736
Telecommunications	388,903	12,028	-	400,931	417,819
Travel	191,661	31,551	15,190	238,402	192,383
Special programs	12,291	54,130	100	66,521	246,401
<b>Total expenses before depreciation</b>	<b>13,885,247</b>	<b>868,721</b>	<b>691,524</b>	<b>15,445,492</b>	<b>14,253,833</b>
Depreciation	283,805	94,668	15,767	394,240	182,117
<b>Total expenses</b>	<b>\$ 14,169,052</b>	<b>963,389</b>	<b>707,291</b>	<b>\$ 15,839,732</b>	<b>\$ 14,435,950</b>
Percent of total expenses	89.5%	6.1%	4.5%	100%	
		-	-	-	-

The accompanying notes are an integral part of the financial statements.

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**Note 1 – The Organization and Summary of Significant Accounting Policies**

*Organization and Background*

LiftFund, Inc. (LiftFund)'s mission is to stimulate local economic growth and facilitate local efforts to combat poverty through providing credit and other support services to small enterprises that generally do not have access to commercial business credit. Through its loans and services, LiftFund, Inc., formerly known as ACCION Texas, Inc., helps micro entrepreneurs strengthen their businesses, stabilize and increase their incomes, create additional employment and contribute to the economic revitalization of their communities. LiftFund conducts special outreach efforts to reach disenfranchised, low income, and minority entrepreneurs and is an intermediary lender between commercial banks and micro-entrepreneurs.

On January 13, 2015, ACCION Texas, Inc. changed its name to LiftFund, Inc.

LiftFund is funded primarily by governmental grants, contributions from banks and foundations, and corporate and individual contributions. Representatives of these banks and other organizations often serve as members of the board of directors. LiftFund is a Texas non-profit corporation organized March 1994.

The significant accounting policies followed by LiftFund are described below to enhance the usefulness of the financial statements to the reader.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities and objectives specified by donors.

*Basis of Consolidation*

In 2013, LiftFund formed a wholly owned subsidiary named ACCION Martin Holdings, Inc., a Texas corporation. The financial statements of LiftFund and its wholly owned subsidiary, ACCION Martin Holdings, Inc., are presented in the financial statements on a consolidated basis as both have common board members and management. Inter-organization transactions and balances have been eliminated for financial statement purposes.

*Basis of Presentation*

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in its Auditing Standards Codification (ASC) 958, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs or activities.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, which include unconditional promises to give, are recognized as revenues in the period LiftFund is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*Fair Value Measurements*

Investments are shown at their estimated fair value in accordance with FASB ASC 820, "Fair Value Measurements and Disclosures". Certain items are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These items include cash and cash equivalents, interest and fees receivable, prepaid expenses, accounts payable, accrued expenses, and deferred revenue.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other organizations, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

*Revenue Recognition*

LiftFund recognizes loan interest revenue over the term of the loan. Loan fees are earned when the loan transaction is finalized. Grants from governmental agencies which are conditional on the performance of specified program services or activities are recorded as revenue when the related expenses stipulated by the grants are incurred.

*Cash and Cash Equivalents*

For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

*Restricted Cash*

Restricted cash consists of cash accounts that are required to be maintained for a specific purpose or required by the grantor. Cash accounts restricted are the Individual Development Account Program account, the Goldman Sachs loan loss reserve account, the Small Business Administration Microloan Reserve accounts, the ACCION Martin Holdings, Inc. construction and expense reserve accounts, and other miscellaneous minor accounts.

*Grants and Contributions Receivable*

Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management evaluates the need for an allowance for doubtful accounts applicable to its grants receivable based on various factors, including an assessment of the credit worthiness of its donors, aging of the amount due and historical experience. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that realization losses on grants receivable balances outstanding at year-end have been adequately provided for.

*Allowance for Loan Losses*

The adequacy of the allowance for loan losses is evaluated monthly by management and quarterly by the Board. Following current policy, the allowance reached 8.0% of outstanding portfolio as of December 31, 2015.

The allowance for loan losses is based on management's estimates of the creditworthiness of its borrowers, current economic conditions, and historical information. Ultimate losses, however, may vary materially from current estimates at December 31, 2015.

*Property and Equipment*

Property and equipment is valued at cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Expenses for repairs that materially extend the useful life of an asset are capitalized at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

which range from 3 to 30 years. LiftFund capitalizes all purchases of property and equipment exceeding \$500.

*In-Kind Contributions*

Donated facilities and services are reflected in the accompanying financial statements at fair market value at the time of receipt. Donated facilities, which include office space at various locations where LiftFund operates, and interest on below-market interest rate notes payable, are recorded as an expense. Donated services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements.

*Income Taxes*

LiftFund is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, LiftFund qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). No provision for income taxes has been made in the accompanying financial statements, as there are no activities subject to unrelated business income tax.

On January 1, 2009, LiftFund adopted the provisions of Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (ASC 740). ASC 740 prescribes a new threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. The adoption of ASC 740 did not have any impact on LiftFund's financial statements.

LiftFund's tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the returns have three year statute of limitations.

*Expenses*

The costs of providing various programs and other activities of the organization have been summarized on a functional basis by the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs by their natural classification are presented in the statement of functional expenses.

*Reclassifications*

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

*Summarized Financial Information for 2014*

The financial information as of December 31, 2014 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**Note 2 – Loans Receivable**

LiftFund offers loans to qualifying businesses. These loans are offered to startup or established businesses. Loans range from \$500 to \$500,000 with loan terms of 5 to 120 months. Borrowers must have sufficient collateral to cover loan amount. Individual and group loans carry a 5.5% to 18% annual interest rate, calculated on the declining balance of the loan. During 2015, LiftFund disbursed \$24,891,382 in new loans.

2,671 loans receivable were outstanding as of December 31, 2015 for a total balance receivable of \$38,284,070, less an allowance for loan losses of \$3,047,169.

The loan delinquency status at December 31, 2015 was as follows:

Current	\$ 36,697,972	95.9%
Past Due		
31-60 days	533,394	1.3%
61-90 days	258,588	0.7%
91-120 days	249,587	0.7%
Over 120 days	544,529	1.4%
Subtotal	<u>1,586,098</u>	<u>4.1%</u>
 Total LiftFund portfolio	 <u>\$ 38,284,070</u>	 <u>100%</u>

Loans are considered delinquent if past due over 31 days and delinquent loans over 180 days are charged off.

Changes in loans receivable during 2015 were as follows:

Balance, December 31, 2014	\$ 33,273,577
New Loans	24,891,382
Principal collected on loans	(15,482,551)
Sale of Loans	(2,375,585)
Loans written off	<u>(2,022,753)</u>
Balance, December 31, 2015	<u>\$ 38,284,070</u>

Changes in the allowance for loan losses during 2015 were as follows:

Balance, December 31, 2014	\$ 2,768,434
Loans written off	(2,022,753)
Loan loss accruals	2,067,480
Recoveries	<u>234,008</u>
Balance, December 31, 2015	<u>\$ 3,047,169</u>

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Non-performing loans fall into one of the following categories: (1) loans in Chapter 7 bankruptcy that are expecting a reaffirmation agreement, and (2) loans in the process of real estate foreclosure. There were no non-performing loans at December 31, 2015.

LiftFund assesses and monitors the credit quality of its loans receivable on an ongoing basis. The Organization uses several internal credit quality indicators, depending on the type of loan receivable and availability of reliable information for that asset type. All loans receivable are considered part of LiftFund's business loan portfolio; the Organization does not further disaggregate loans by segment or class.

The allowance for possible loan losses is established through a provision for possible loan losses charged to current operations. Management reviews LiftFund's three year loan receivable performance history at least quarterly. The provision for possible loan losses is determined based on evaluations of collectability and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, specific problem loans and current and anticipated economic conditions that may affect the borrowers' ability to pay. The allowance for loan losses is set based on the greater of the amount determined from the three year loan receivable performance history or the amount required to be recognized under LiftFund's loan and grant agreement covenants.

Loans are charged against the allowance for possible loan losses when management believes that the collectability of the principal is unlikely. Recoveries of loans previously charged off are credited to the allowance for possible loan losses.

As a matter of practice, on a continuing basis, the company assesses its loans receivable portfolio, using its internal credit quality indicators. All loans receivable have been assessed and monitored through December 31, 2015.

LiftFund is exposed to several risk factors related to its loans receivable:

- Interest rate risk associated with a large portion of commercial loans with fixed interest rates.
- Risk of a deteriorating economic climate and its impact on the Organization's collection of loans.
- Economic, industry, and geographic risks associated with secured loans to small businesses primarily in Texas.

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**Note 3 – Property and Equipment**

Property and equipment consists of the following at December 31:

	2015	2014
Land	\$ 1,084,426	\$ 1,084,426
Buildings	8,761,404	7,128,298
Equipment	856,125	667,125
Software	1,407,300	942,341
Vehicles	162,392	179,092
Total Cost	12,271,647	10,001,282
Less accumulated depreciation	(2,520,489)	(2,136,547)
Net property and equipment	\$ 9,751,158	\$ 7,864,735

Depreciation expense was \$394,240 for the year ended December 31, 2015.

**Note 4 – Notes Payable**

Notes payable consist of the following:

Lender	Interest Rate	Maturity Date	Balance 12/31/2015	Collateral
Adorers of the Blood of Christ	2.00%	10/08/19	\$ 50,000	-
Adriana H Biggs	2.00%	06/25/16	17,500	-
Aissatou Sidime-Blanton	2.00%	05/23/16	2,000	-
Amegy Bank	4.50%	07/06/16	398,444	-
Anna Brooke Gutzler	2.00%	01/10/16	4,860	-
Anne P Messbarger Eguia	1.00%	11/06/18	6,000	-
Annie E. Casey Foundation	3.00%	06/30/19	1,000,000	-
Bank of America	3.00%	08/03/23	2,000,000	-
BBVA Compass Bank	2.00%	12/31/16	150,000	-
Bianca Maldonado	0.00%	10/17/16	2,000	-
Bradley E Lehman	1.00%	01/01/18	2,000	-
Broadway National Bank	4.00%	10/01/16	625,000	-
Broadway National Bank	3.25%	10/01/16	74,750	-
Cadence Bank	3.00%	06/30/16	383,792	-
Calvert Foundation	4.50%	06/27/16	2,000,000	-
Calvert Foundation	4.50%	10/12/16	200,000	-
Capital One	3.50%	12/18/18	3,305,556	***
Capital One	1.00%	10/01/16	153,333	-
Capital One	0.00%	05/31/17	500,000	-
Carla Marshall & L. Doxsey	2.00%	11/08/16	111,491	-

**LITTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Lender	Interest Rate	Maturity Date	Balance 12/31/2015	Collateral
Carla Marshall & L. Doxsey	2.00%	04/16/16	15,300	-
Carla Marshall & L. Doxsey	2.00%	03/04/16	26,010	-
Carmen Barraza Casas	3.00%	03/27/16	25,000	-
Carmen Barraza Casas	2.00%	10/11/17	25,000	-
Central Bank	3.25%	04/19/18	125,544	-
Charles A Gonzalez	0.00%	01/28/16	1,000	-
Comerica Bank	3.25%	02/01/19	32,948	-
Creed, Inc	2.00%	02/22/16	5,000	-
Crockett National Bank	0.00%	12/13/17	100,000	-
Dallas Womens Foundation	2.50%	02/13/18	75,000	-
Daniel Lopez/Gina Amatangelo	0.00%	12/28/16	6,000	-
David W Blair	2.00%	01/05/16	25,000	-
Debra Salge	2.00%	02/22/16	1,000	-
Donna M Anderson	2.00%	12/19/16	30,000	-
Dr. Charles Conlon	2.00%	01/01/16	25,000	-
Dr. Harry J. Shafer	2.00%	01/01/16	2,000	-
Dr. William Elizondo	2.00%	10/10/16	1,000	-
East West Bank	3.00%	08/01/16	250,000	-
Edward R or Luz Elena Day	2.00%	10/01/16	3,000	-
Edward R or Luz Elena Day	2.00%	11/01/16	10,000	-
Eliot M Lee	2.00%	01/01/16	1,000	-
Farm Bureau Bank	3.25%	06/30/17	100,000	-
First Citizens Bank	4.67%	03/09/16	25,000	-
First Citizens Bank	4.67%	03/09/16	25,000	-
First Community Bank, N.A.	2.50%	10/01/16	250,000	-
Father Blanco Memorial Fund	2.00%	06/08/16	10,000	-
Framboyant Learning Center	2.00%	05/14/19	50,000	-
Frost National Bank	3.50%	12/20/16	1,000,000	-
George B Hernandez Jr	2.00%	11/03/16	10,000	-
George H & Elizabeth Godwin	1.00%	11/04/16	10,000	-
Goldman Sach's	3.75%	04/03/19	6,936,034	* 6,936,034
Green Bank, N.A.	4.00%	05/27/17	127,149	-
Heartspring Methodist Foundation	2.00%	06/01/16	400,000	-
IBC Bank	2.00%	12/01/16	10,000	-
IberiaBank	3.75%	06/23/18	948,517	-
Immaculate Heart of Mary Church	2.00%	06/01/16	36,795	-
Immaculate Heart of Mary Church	2.00%	06/08/16	50,000	-
James R Adams or Judy Adams	0.00%	05/14/16	10,000	-
JP Morgan Chase	4.00%	12/31/16	52,799	-
JP Morgan Chase	4.00%	12/31/16	211,190	-

**LITFFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Lender	Interest Rate	Maturity Date	Balance 12/31/2015	Collateral
KIVA	0.00%		481,185	-
Laura Parker	2.00%	10/16/16	51,000	-
Linda Foster	3.00%	12/03/16	10,000	-
M Elizabeth Blissman	2.00%	04/30/16	10,000	-
Margaret G Mireles	2.00%	02/06/17	43,356	-
Maria and Manuel P. Berriozabal	2.00%	04/24/16	51,854	-
Marissa Hidalgo	2.00%	05/18/18	5,000	-
Martha Pattillo Siv	2.00%	05/23/17	1,000	-
Mary Esther Escobedo	2.00%	04/11/17	5,000	-
Mary T. Green	2.00%	01/26/16	1,000	-
Mercantil Commercebank	5.25%	07/09/16	246,179	-
MidSouth Bank	2.00%	11/06/16	415,000	-
Nazareth Literary & Benevolent	0.50%	05/18/18	150,000	-
Norma Gonzales	2.00%	10/28/16	1,000	-
Oblate International Pastoral	4.00%	10/14/20	1,000,000	-
Opportunity Finance Network	4.00%	12/31/16	400,000	-
Opportunity Finance Network	3.00%	01/31/18	2,500,000	* 2,500,000
People Fund	5.00%	02/03/16	500,000	-
People Fund	1.02%	12/01/43	4,454,220	** -
People Fund	1.02%	12/01/43	1,523,780	** -
Pete & Andrea Sitterle	2.00%	12/18/16	25,000	-
Philip Eash-Gates	3.00%	10/01/19	30,918	-
REAP Green Enterprise	3.00%	05/31/16	100,000	-
REAP Green Enterprise	3.00%	05/31/16	250,000	-
REAP Green Enterprise	3.00%	05/31/16	450,000	-
Red River Bank	3.00%	07/30/16	18,751	-
Redman Foundation	2.00%	11/18/16	10,000	-
Regions Bank	3.00%	09/22/20	238,376	-
Rhonda Wiley-Jones	2.00%	05/12/17	3,000	-
Robert Boehlert	2.00%	08/28/16	102,340	-
Rose Mary Fry	2.00%	08/01/16	1,000	-
Roy Thoppil-Joseph	2.00%	03/14/18	10,000	-
Small Business Administration	4.63%	07/31/17	144,249	* 165,887
Small Business Administration	0.38%	12/09/21	500,000	* 575,000
Small Business Administration	0.38%	12/09/21	500,000	* 575,000
Small Business Administration	2.13%	05/23/18	245,592	282,431
Shari K Gore	0.00%	12/19/16	5,000	-
Sisters of Charity Incarnate Word	2.00%	08/23/16	200,000	-
Sisters of the Incarnate Word	3.00%	02/24/16	300,000	-
Sisters of Saint Dominic	3.00%	01/15/16	100,000	-

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Lender	Interest Rate	Maturity Date	Balance 12/31/2015	Collateral
Sisters of Saint Dominic	2.00%	11/11/16	50,000	-
Society of the Divine Word	2.00%	03/22/16	50,000	-
Sustainable Communities Fund	3.00%	07/31/19	200,000	-
Sylvia and Arthur C Reyna Jr	2.00%	10/25/16	1,000	-
The Bank of San Antonio	2.00%	12/31/19	500,000	-
The Basilian Fathers of Toronto	3.00%	04/01/16	100,000	-
Tides Foundation	0.00%	04/03/18	100,000	-
Tolleson Private Bank	3.00%	06/01/16	50,000	-
U.S. Treasury CDFI Fund	0.00%	06/30/19	200,000	-
U.S. Treasury CDFI Fund	2.12%	01/17/16	1,000,000	-
USDA	1.00%	04/07/34	289,682	* 289,682
Valerie L Wenger	2.00%	06/14/16	10,000	-
Valley Economic Development Ctr	3.00%	08/25/20	178,000	-
Whitney Bank	3.00%	09/09/16	100,000	-
William G Moll	2.00%	05/20/18	5,000	-
Woodforest Bank	4.00%	03/15/17	314,859	* 314,859
			<u>\$40,266,353</u>	

\* Collateralized by loans receivable

\*\* Collateralized by Martin Street property

\*\*\* Collateralized by Poplar Street property & capital campaign pledges & grants receivable

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,	
2016	\$ 12,211,387
2017	1,463,613
2018	8,257,395
2019	8,999,901
2020	2,916,375
Thereafter	<u>6,417,682</u>
	<u>\$ 40,266,353</u>

**Note 5 – Equity Equivalents**

An equity equivalent is an unsecured general obligation. It is fully subordinated to the right of repayment of all other creditors. The obligation has a rolling term and therefore, an indeterminate maturity. Payment of interest is required quarterly and semi-annually. Interest payments are current at December 31, 2015.

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Equity equivalents consist of the following loans:

Lender	Interest Rate	Balance 12/31/2015
AmericanBank	4.50%	\$ 500,000
Bancorp South	3.00%	1,000,000
BBVA Compass Bank	2.00%	100,000
BBVA Compass Bank	2.00%	500,000
BBVA Compass Bank	2.00%	1,000,000
BBVA Compass Bank	2.00%	2,000,000
BBVA Compass Bank	2.00%	1,000,000
Raza Development Fund	1.00%	100,000
Raza Development Fund	2.00%	200,000
Texas Community Bank	3.00%	500,000
The Bank of San Antonio	2.00%	250,000
Union Bank	2.00%	1,000,000
Wells Fargo Bank	2.00%	200,000
Wells Fargo Bank	3.00%	250,000
Wells Fargo Bank	2.00%	1,402,500
Total		<u><u>\$ 10,002,500</u></u>

**Note 6 – Restrictions on Net Assets**

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

For subsequent years' activities:	
Loan programs	\$ 3,386,280
Subtotal	<u>3,386,280</u>
For required reserves:	
Small Business Administration	503,338
Goldman Sachs Bank	<u>221,676</u>
Subtotal	<u>725,014</u>
Total temporarily restricted net assets	<u><u>\$ 4,111,294</u></u>

The net assets for all programs are restricted to use as defined by the grantor.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by the donors during 2015 as follows:

Construction	\$ 2,278,218
Loan programs/operating expenses	1,706,204
Loan program reserves	<u>486,182</u>
Total net assets released from restrictions	<u><u>\$ 4,470,604</u></u>

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

Permanently restricted net assets of \$577,163 at December 31, 2015 and 2014 consist of various contributions received from banks and individuals restricted in perpetuity for loans to micro enterprises.

**Note 7 – Retirement Plan**

LiftFund has a defined contribution 401(k) plan covering all employees with at least three months and 390 hours of service. Employees are automatically enrolled to contribute 3% of the employee's salary unless they select a different amount or sign a waiver within 90 days of their enrollment date. Under the plan, LiftFund matches 100% of the employee's contributions up to 3% of the employee's salary, plus 50% of the employee's contributions up to the next 2% of the employee's salary. Total retirement plan expense charged to operations was \$136,892 in 2015.

**Note 8 – Operating Leases Commitments**

LiftFund leases office space under noncancelable operating leases expiring through July of 2020. LiftFund leases copiers and computer equipment under operating leases expiring through June of 2019. Lease expense charged to operations for the year ended December 31, 2015 was \$331,463.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2015 are as follows:

Years Ending December 31,	
2016	\$ 356,805
2017	275,452
2018	180,491
2019	93,750
2020	25,466
Thereafter	-
	<u>\$ 931,964</u>

**Note 9 – Loan Sale Agreements**

LiftFund has entered into agreements with various banks for the sale of loans originated by LiftFund. LiftFund services the loans sold to these banks under the agreement terms. Loans totaling \$2,375,585 were sold during 2015 at a gain of \$121,781.

**Note 10 – New Market Tax Credit Agreement**

In 2013, LiftFund received a loan in the amount of \$3,500,000 from Capital One, N.A. for LiftFund to construct its new headquarters on Martin Street in San Antonio, Texas. The loan is secured by LiftFund's land and buildings on Poplar Street and by a lien on LiftFund's capital campaign pledges and grants receivable. The loan bears interest at 3.5% and requires monthly interest only payments through February 15, 2015, and thereafter requires monthly payments of accrued interest plus

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

\$19,444 in principal through December of 2018, the loan's maturity date. Capital One requires that any collections of the capital campaign pledges and grants by LiftFund be placed into a collateralized bank account and applied to the loan balance on a quarterly basis.

In 2013, LiftFund and ACCION Martin Holdings, Inc. (AMHI), as a qualified active low-income community business (QALICB), entered into a series of agreements with COCRF Investor 21, LLC, as investor and PeopleFund, as sponsor, to finance the construction of LiftFund's Martin Street headquarters under an arrangement qualifying as a New Market Tax Credit (NMT) investment. As of December 31, 2013, LiftFund had contributed cash in the amount of \$4,454,220 to COCRF Investor 21, LLC evidenced by a promissory note. The promissory note payable to LiftFund has a fixed interest rate of 1% per annum and obligates COCRF Investor 21, LLC to make interest-only payments on a quarterly basis through January 2021 and thereafter quarterly payments of principal and interest through July of 2038, the loan's maturity date. COCRF Investor 21, LLC then provided the contributed cash along with an equity investment contribution to PeopleFund, as sponsor, who in turn provided two (2) loans to AMHI. The loans, totaling \$5,978,000 are payable by AMHI to PeopleFund and are secured by a second lien on the Martin Street property and the new headquarters building. These loans have an interest rate of 1.02% and are payable in interest only installments quarterly through January of 2021 and in principal and interest installments quarterly through July of 2038, the loan's maturity date. The United States Economic Development Administration holds a first lien on the Martin Street property and improvements pursuant to a grant of \$1,315,000 dated April 8, 2011.

**Note 11 – Concentrations of Credit Risk**

LiftFund provides financing to small businesses in Texas, Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, and Tennessee. The organization has been in business since 1994. Financial instruments that potentially subject the organization to concentrations of credit risk consist of cash and equivalents, notes payable, and revenue from government grants and contracts.

LiftFund maintains cash accounts in various financial institutions. Balances are insured up to \$250,000. At December 31, 2015 the cash balances in excess of FDIC limits approximated \$8,794,657.

At December 31, 2015, LiftFund was scheduled to make \$12,211,387 in principal repayments on its outstanding notes payable during 2016. Based on its experience with lenders renewing their loans to LiftFund, the Organization believes that it is maintaining cash balances sufficient to cover all notes payable amounts due in 2016.

LiftFund receives substantial funding through grants and contracts with governmental agencies. Concentrations of credit risk with respect to grants and contracts receivable are reduced due to the limited amount of credit risk exposure from government grants and contracts.

**LIFTFUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

**Note 12 – Commitments and Contingencies**

LiftFund's grant and contract programs are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, LiftFund has no provision for the possible disallowance of program costs included in its financial statements.

**Note 13 – Evaluation of Subsequent Events**

LiftFund adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855), as of January 1, 2009. ASC 855 established new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through May 27, 2016, the date on which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**LIFTFUND, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

	<b>Assets</b>			<b>Total</b>
	<u>Liffund, Inc.</u>	<u>ACCION Martin Holdings, Inc.</u>	<u>Intercompany Eliminations</u>	
Cash and cash equivalents	\$ 7,120,068	\$ -	\$ -	\$ 7,120,068
Cash, restricted	2,269,555	652,664	-	2,922,219
Receivables:				
Loans receivable, net of allowance for loan losses of \$3,047,169 in 2015 and \$2,768,434 in 2014	35,236,901	-	-	35,236,901
Grants and contributions receivable, net of allowance for cost refunds of \$51,993 in 2015 and \$141,993 in 2014	4,553,748	-	-	4,553,748
New Market Tax Credit loan receivable	4,454,220	-	-	4,454,220
Accrued interest receivable	274,948	-	-	274,948
Accrued late and NSF fees	40,332	-	-	40,332
Other	269,230	28,000	(19,000)	278,230
Prepaid expenses and other assets	129,089	314,604	-	443,693
Recovered asset inventory	66,514	-	-	66,514
Property and equipment, net of accumulated depreciation of \$2,520,489 in 2015 and \$2,136,547 in 2014	<u>3,147,557</u>	<u>6,603,601</u>	<u>-</u>	<u>9,751,158</u>
Total assets	<u>\$ 57,562,162</u>	<u>\$ 7,598,869</u>	<u>\$ (19,000)</u>	<u>\$ 65,142,031</u>
<b>Liabilities and Net Assets</b>				
	<u>Liffund, Inc.</u>	<u>ACCION Martin Holdings, Inc.</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
Liabilities:				
Accounts payable	\$ 505,381	\$ -	\$ (19,000)	\$ 486,381
Accrued liabilities	535,462	-	-	535,462
Deferred revenue	35,609	-	-	35,609
Notes payable	34,288,353	5,978,000	-	40,266,353
Equity equivalents	<u>10,002,500</u>	<u>-</u>	<u>-</u>	<u>10,002,500</u>
Total liabilities	<u>45,367,305</u>	<u>5,978,000</u>	<u>(19,000)</u>	<u>51,326,305</u>
Commitments and contingencies				
Net assets:				
Unrestricted	9,127,269	-	-	9,127,269
Temporarily restricted	2,490,425	1,620,869	-	4,111,294
Permanently restricted	<u>577,163</u>	<u>-</u>	<u>-</u>	<u>577,163</u>
Total net assets	<u>12,194,857</u>	<u>1,620,869</u>	<u>-</u>	<u>13,815,726</u>
Total liabilities and net assets	<u>\$ 57,562,162</u>	<u>\$ 7,598,869</u>	<u>\$ (19,000)</u>	<u>\$ 65,142,031</u>

See independent auditor's report

**LIFTFUND, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Liftfund, Inc.</u>	<u>ACCION Martin Holdings, Inc.</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
<b>Revenue and support:</b>				
Public support:				
Contributions	\$ 4,444,041	\$ -	\$ -	\$ 4,444,041
Governmental grants	3,561,856	-	-	3,561,856
Revenue:				
Interest	766	-	-	766
Loan interest and fees	5,661,067	-	-	5,661,067
Portfolio management services	352,833	-	-	352,833
SBA 504 income	1,407,366	-	-	1,407,366
Gain on sale of loans	121,781	-	-	121,781
Incubator - office space rental income	37,835	-	-	37,835
In-kind contributions	250,685	-	-	250,685
Miscellaneous revenue	22,761	19,000	(19,000)	22,761
Total public support and revenue	15,860,991	19,000	(19,000)	15,860,991
Net assets released from restrictions	-	-	-	-
<b>Total revenue and support</b>	<u>15,860,991</u>	<u>19,000</u>	<u>(19,000)</u>	<u>15,860,991</u>
<b>Expenses:</b>				
Program services - lending	14,169,052	-	-	14,169,052
Management and general	837,709	144,680	(19,000)	963,389
Fundraising	707,291	-	-	707,291
<b>Total expenses</b>	<u>15,714,052</u>	<u>144,680</u>	<u>(19,000)</u>	<u>15,839,732</u>
<b>Change in net assets</b>	146,939	(125,680)	-	21,259
Net assets at beginning of year	12,628,921	1,165,546	-	13,794,467
Intercompany transfers	(581,003)	581,003	-	-
<b>Net assets at end of year</b>	<u>\$ 12,194,857</u>	<u>\$ 1,620,869</u>	<u>\$ -</u>	<u>\$ 13,815,726</u>

See independent auditor's report

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
AND THE UNIFORM GUIDANCE**

# WEST, DAVIS & COMPANY, LLP

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## **INDEPENDENT AUDITOR'S 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  
LiftFund, Inc.  
San Antonio, Texas

We have audited, in accordance with the 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 consolidated financial statements of LiftFund, Inc. (LiftFund), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 27, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LiftFund, Inc.'s internal control over financial reporting (internal control) to determine the 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 LiftFund's internal control. Accordingly, we do not express an opinion on the effectiveness of LiftFund's internal control.

*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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LiftFund, Inc.'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 determination of financial statement amounts. 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*.

## **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.

*West, Davis & Company, LLP*

*Certified Public Accountants*

Austin, Texas

May 27, 2016

# WEST, DAVIS & COMPANY, LLP

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
LiftFund, Inc.  
San Antonio, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited LiftFund, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LiftFund's major federal programs for the year ended December 31, 2015. LiftFund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of LiftFund, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LiftFund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LiftFund, Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, LiftFund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## Report on Internal Control Over Compliance

Management of LiftFund, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LiftFund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LiftFund, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*West, Davis & Company, LLP*

*Certified Public Accountants*

Austin, Texas

May 27, 2016

**LIFTFUND, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grantor/ Pass-through Identifying Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
U.S. Small Business Administration				
Women's Business Ownership Assistance	59.043	SBAHQ-14-W-0038	\$ 125,882	\$ 77,269
Women's Business Ownership Assistance	59.043	SBAHQ-14-W-0038	131,250	16,467
Microloan Demonstration Program - Grant	59.046	SBAHQ-14-Y-0045	445,242	273,994
Microloan Demonstration Program - Grant	59.046	SBAHQ-15-Y-0021	446,130	174,598
SBA Prime	59.050	SBAHQ-15-PR-0041	175,000	<u>22,882</u>
Total U.S. Small Business Administration				<u>565,210</u>
U.S. Department of Housing and Urban Development				
Rural Housing & Economic Development Program	14.263	BC-13-TX-C-000 I	800,000	90,168
Rural Housing & Economic Development Program	14.263	DC-14-TX-1-0003	1,000,000	<u>36,747</u>
Total U.S. Department of Housing and Urban Development				<u>126,915</u>
U.S. Department of Commerce				
Financial Assistance Award CD-450	11.307	EDA 08-01-04656	1,315,000	<u>1,315,000</u>
U.S. Department of the Treasury, Community Development Financial Institutions Fund				
CDFI Financial Assistance	21.020	131HIFFFIFAO 11420	1,500,000	<u>1,032,658</u>
Total Expenditures of Federal Awards				<u><u>\$ 3,039,783</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**LIFTFUND, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2015**

**1. Basis of Presentation**

The accompanying schedule of federal awards includes the federal grant activity of LiftFund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2. Loans Outstanding**

LiftFund had the following loan balances outstanding at December 31, 2015. Amounts of new loans made are included in the following loan balances outstanding and are also included in the expenditures presented in the schedule.

<u>Program</u>	<u>Federal CFDA Number</u>	<u>New Loans</u>	<u>Amount Outstanding</u>
CDFI - Microloan Support Program	21.020	\$ -	\$ 1,200,000
Small Business Administration Microloan Demonstration Program	59.046	-	1,389,842
Department of Agriculture	10.767	-	318,642

**LIFTFUND, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section 1 - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued - **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs - **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) OMB? \_\_\_\_\_ Yes      X   No

***Identification of Major Programs***

- 11.307 - U.S. Department of Commerce Economic Adjustment Assistance Program
  - 21.020 - U.S. Department of the Treasury Community Development Financial Institutions Program
1. Dollar threshold used to distinguish between Type A and Type B programs - **\$750,000.**
  2. Is the auditee qualified as a low-risk auditee under the Uniform Guidance - **Yes**

**Section 2 - Financial Statement Findings**

**None**

**Section 3 - Federal Award Findings and Questioned Costs**

**None**

**Section 4 - Prior Year Audit Findings**

**None**