# LIFTFUND INC.

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

December 31, 2018

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

**LIFTFUND INC.**
TABLE OF CONTENTS

WEST, DAVIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
GARY W. DAVIS, C.P.A. | 11824 JOLLYVILLE ROAD, SUITE 100 | gary@westdavis.com
ROBERT H. WEST, C.P.A. | AUSTIN, TEXAS 78759 | bob@westdavis.com
ROBERT H. WEST, JR., C.P.A. | TELEPHONE 503-828-6650 | rob@westdavis.com

# 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, 2018, 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, 2018, and the changes in their net assets and their 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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 17, 2019, 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 17, 2019

**LIFTFUND INC.**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

**Assets**

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | $ 8,085,971 | $ 8,319,215 |
| Cash, restricted | 4,598,066 | 3,989,793 |
| Investments | 845,884 | 956,409 |
| Receivables: | | |
| Loans receivable, net of allowance for loan losses of $2,815,395 in 2018 and $2,816,708 in 2017 | 45,813,366 | 41,263,778 |
| Grants and contributions receivable, net of allowance for doubtful accounts of $26,693 in 2018 and $26,693 in 2017 | 4,036,831 | 2,064,196 |
| Program accounts receivable | 526,529 | 105,023 |
| New Market Tax Credit loan receivable | 4,454,220 | 4,454,220 |
| Accrued interest receivable | 264,028 | 459,428 |
| Prepaid expenses and other assets | 769,041 | 740,104 |
| Recovered asset inventory | 11,000 | 111,000 |
| Property and equipment, net of accumulated depreciation of $4,193,193 in 2018 and $3,822,077 in 2017 | 8,668,270 | 9,706,874 |
| Total assets | $ 78,073,206 | $ 72,170,040 |

**Liabilities and Net Assets**

| | 2018 | 2017 |
|---|---|---|
| Liabilities: | | |
| Accounts payable | $ 647,363 | $ 724,009 |
| Accrued liabilities | 911,074 | 786,599 |
| Deferred revenue | 1,494,605 | 586,114 |
| Notes payable | 47,267,853 | 43,029,067 |
| Equity equivalents | 11,442,500 | 11,312,500 |
| Total liabilities | 61,763,395 | 56,438,289 |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions | | |
| Unrestricted | 9,205,470 | 9,872,872 |
| Noncontrolling interest in LLC company | 1,750,313 | 1,250,000 |
| With donor restrictions | 5,354,028 | 4,608,879 |
| Total net assets | 16,309,811 | 15,731,751 |
| Total liabilities and net assets | $ 78,073,206 | $ 72,170,040 |

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

**LIFTFUND INC.**
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | 2018 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | 2017 |
| **Revenue and support:** | | | | |
| Public support: | | | | |
| Governmental grants | $ 2,430,484 | 800,000 | $ 3,230,484 | $ 2,388,487 |
| Contributions | 715,038 | 1,836,323 | 2,551,361 | 3,724,298 |
| In-kind contributions | 1,084,681 | - | 1,084,681 | 804,188 |
| Revenue: | | | | |
| Loan interest and fees | 8,662,114 | - | 8,662,114 | 7,045,157 |
| SBA 504 income | 1,881,726 | - | 1,881,726 | 1,083,756 |
| Gain on sale of loans | 657,290 | - | 657,290 | 465,495 |
| Portfolio management services | 232,331 | - | 232,331 | 189,442 |
| Gain on sale of rental property | 182,371 | - | 182,371 | - |
| Office space rental income | 167,035 | - | 167,035 | 135,239 |
| Interest | 32,229 | - | 32,229 | 42,625 |
| Miscellaneous revenue | 27,928 | - | 27,928 | 112,965 |
| Total public support and revenue | 16,073,227 | 2,636,323 | 18,709,550 | 15,991,652 |
| Net assets released from restrictions | 1,891,174 | (1,891,174) | - | - |
| **Total revenue and support** | 17,964,401 | 745,149 | 18,709,550 | 15,991,652 |
| **Expenses:** | | | | |
| Program services - lending | 16,914,724 | - | 16,914,724 | 15,262,054 |
| Management and general | 560,938 | - | 560,938 | 880,599 |
| Fundraising | 1,156,141 | - | 1,156,141 | 793,165 |
| **Total expenses** | 18,631,803 | - | 18,631,803 | 16,935,818 |
| **Change in net assets before noncontrolling interest in LLC** | (667,402) | 745,149 | 77,747 | (944,166) |
| Change in net assets from noncontrolling interest in LLC company | 500,313 | - | 500,313 | 1,250,000 |
| **Change in net assets** | (167,089) | 745,149 | 578,060 | 305,834 |
| Net assets at beginning of year | 11,122,872 | 4,608,879 | 15,731,751 | 15,425,917 |
| **Net assets at end of year** | $ 10,955,783 | 5,354,028 | $ 16,309,811 | $ 15,731,751 |

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

**LIFTFUND INC.**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 578,060 | $ 305,834 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Gain on sale of loans | (657,290) | (465,495) |
| Net (gain)/loss on property disposition | (182,371) | - |
| Provision for loan losses | 1,849,244 | 1,872,188 |
| Depreciation | 657,316 | 694,680 |
| (Increase) decrease in operating assets | | |
| Grants receivable | (1,972,635) | 827,962 |
| Program accounts receivable | (421,506) | - |
| Accrued interest receivable | 195,400 | (121,861) |
| Prepaid expenses and other assets | (28,937) | 29,543 |
| Recovered asset inventory | 100,000 | (99,500) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (76,646) | 305,168 |
| Accrued liabilities | 124,475 | (131,065) |
| Deferred revenue | 908,491 | 439,732 |
| Net cash provided (used) by operating activities | 1,073,601 | 3,657,186 |
| **Cash flows from investing activities:** | | |
| Disbursements under loan programs | (32,398,096) | (29,924,472) |
| Collections under loan programs | 19,262,357 | 19,058,537 |
| Proceeds from sale of loans | 7,394,197 | 5,229,151 |
| Purchases of investments | (1,200) | (64,000) |
| Proceeds from disposition of investments | 111,725 | 110,875 |
| Purchases of property and equipment | (276,474) | (370,626) |
| Proceeds from sale of of property and equipment | 840,133 | - |
| Net cash provided by investing activities | (5,067,358) | (5,960,535) |
| **Cash flows from financing activities:** | | |
| Change in restricted cash | (608,273) | 534,250 |
| Proceeds from notes payable and equity equivalents | 11,889,912 | 9,320,819 |
| Repayments of notes payable and equity equivalents | (7,521,126) | (7,383,266) |
| Net cash provided by financing activities | 3,760,513 | 2,471,803 |
| Net increase (decrease) in cash, all unrestricted | (233,244) | 168,454 |
| Cash at beginning of year | 8,319,215 | 8,150,761 |
| **Cash at end of year** | $ 8,085,971 | $ 8,319,215 |
| **Supplementary Disclosure of Cash Flow Information:** | | |
| Cash paid during the year for interest | $ 1,414,827 | $ 1,461,146 |
| In-kind donations of occupancy, services, equipment, and interest | $ 1,084,681 | $ 804,188 |

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

**LIFTFUND INC.**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | | Supporting Services | | | |
|---|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | 2018 Total | 2017 |
| Personnel costs: | | | | | |
| Salaries and wages | $ 6,242,010 | 200,875 | 654,238 | $ 7,097,123 | $ 6,394,535 |
| Payroll taxes | 481,367 | 9,336 | 51,345 | 542,048 | 498,143 |
| Employee benefits | 758,806 | 72,187 | 86,182 | 917,175 | 845,096 |
| Total personnel costs | 7,482,183 | 282,398 | 791,765 | 8,556,346 | 7,737,774 |
| Advertising | 175,184 | 3,405 | 4,834 | 183,423 | 150,936 |
| Conferences and meetings | 97,287 | 16,613 | 24,792 | 138,692 | 169,394 |
| Consultants | 483,362 | 124,901 | 130,456 | 738,719 | 488,558 |
| Dues and subscriptions | 174,129 | 2,411 | 28,357 | 204,897 | 472,527 |
| Equipment rental and maintenance | 198,553 | 8,435 | 14,983 | 221,971 | 205,912 |
| Insurance | 160,151 | 6,804 | 12,085 | 179,040 | 175,054 |
| Interest | 1,431,432 | - | - | 1,431,432 | 1,486,233 |
| In-kind interest | 1,081,881 | - | - | 1,081,881 | 804,188 |
| Loan loss provision | 1,849,244 | - | - | 1,849,244 | 1,872,188 |
| Miscellaneous | 50,944 | 11,721 | 464 | 63,129 | 96,862 |
| Office expenses | 145,419 | 12,297 | 11,313 | 169,029 | 158,841 |
| Occupancy buildings | 411,929 | 8,147 | 8,147 | 428,223 | 346,294 |
| In-kind occupancy | 2,800 | - | - | 2,800 | - |
| Portfolio expenses | 762,962 | - | - | 762,962 | 348,244 |
| Professional fees | 496,458 | 6,733 | 38,273 | 541,464 | 399,782 |
| Program expenses (grant funded) | 184,372 | - | - | 184,372 | 229,018 |
| Property taxes | 181,855 | 11,758 | 11,758 | 205,371 | 298,541 |
| Service charges and fees | 131,947 | - | - | 131,947 | 151,754 |
| Telecommunications | 658,414 | 15,222 | 27,041 | 700,677 | 450,024 |
| Travel | 160,730 | 27,103 | 11,035 | 198,868 | 199,014 |
| Total expenses before depreciation | 16,321,236 | 537,948 | 1,115,303 | 17,974,487 | 16,241,138 |
| Depreciation | 593,488 | 22,990 | 40,838 | 657,316 | 694,680 |
| Total expenses | $ 16,914,724 | 560,938 | 1,156,141 | $ 18,631,803 | $ 16,935,818 |
| Percent of total expenses | 90.8% | 3.0% | 6.2% | 100% | |

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

**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.

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 controlled subsidiary named ACCION Martin Holdings, Inc., a Texas corporation. ACCION Martin Holdings, Inc. owns and manages LiftFund's Martin Street headquarters under an arrangement qualifying as a New Market Tax Credit (NMTC) investment (see note 12).

LiftFund is a member of LiftFund Funding, LLC, a Texas limited liability company (LLC). The purpose of the LLC is to further the mission of LiftFund by the formation of capital to be deployed by LiftFund. LiftFund is the managing member with a voting interest of fifty-one percent (51%) of the LLC. The other noncontrolling members are nonmanaging members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. The LLC has a dissolution date unless the operating agreements are amended to extend the term.

The financial statements of LiftFund, ACCION Martin Holdings, Inc. and the noncontrolling interest in LiftFund Funding, LLC, are presented in the financial statements on a consolidated basis. 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 Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* 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 LiftFund and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of LiftFund's management and the board of directors.
>
> Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Fees for service receipts from customers and government agencies are recognized in the period earned. Reimbursable earnings not yet received from grantors and customers are recorded as receivables. Funds received in excess of actual earnings are recorded as deferred revenue. Expenditures for goods and services are recorded at the time goods are received or services are rendered.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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.

*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.

*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.

*Investments*

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these financial statements.

*Restricted Cash*

Restricted cash consists of cash accounts that are required to be maintained for a specific purpose or required by the grantor.

*Program Accounts Receivable and Grants and Contributions Receivable*

Program accounts receivable and grants and contributions 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 accounts receivable based on various factors, including an assessment of the credit worthiness of its donors and customers, 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 accounts 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 5.8% of the outstanding portfolio, net of loans covered by SBA, TCAP, and Foundation guarantees, as of December 31, 2018.

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, 2018.

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

*In-Kind Contributions*

Donated facilities, equipment, and services are reflected in the accompanying financial statements at fair market value at the time of receipt. Contributions with donor-imposed stipulations regarding specific purposes the contributed assets must be used for are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. 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*

Costs by their natural classification are presented in the statement of functional expenses. The costs of providing various programs and other activities of LiftFund 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. Expenditures benefiting all segments of the organization are allocated to programs in proportion to the benefits received from shared expenditures. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|---|
| Salaries and benefits | Time and effort |
| Professional services | Time and effort |
| Insurance | Time and effort |
| Office expenses | Time and effort |
| Occupancy | Time and effort |
| Travel | Time and effort |
| Depreciation | Time and effort |

*New Accounting Pronouncement*

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – P*resentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. LiftFund has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

*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 2017*

The financial information as of December 31, 2017 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

**Note 2 – Availability and Liquidity**

The following represents LiftFund's financial assets and liabilities at December 31, 2018:

| | | |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ | 8,085,971 |
| Investments | | 845,884 |
| Current portion of loans receivable, net of allowance for loan losses of $2,815,395 | | 13,336,695 |
| Current portion of grants and contracts receivable, net of allowance for doubtful accounts of $26,693 | | 3,058,498 |
| Program accounts receivable | | 526,529 |
| Accrued interest receivable | | 264,028 |
| Total financial assets at year end | | 26,117,605 |
| Less financial liabilities at year end: | | |
| Program accounts payable and accrued liabilities | | (1,558,437) |
| Current portion of notes payable and equity equivalents | | (10,964,832) |
| Total financial liabilities at year end | | (12,523,269) |
| Less net assets with purpose restrictions to be met in more than a year | | (3,401,177) |
| Financial assets available to meet general expenditures over the next twelve months | $ | 10,193,159 |

LiftFund's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $4,500,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

**Note 3 – Loans Receivable**

LiftFund offers loans to qualifying businesses. These loans are offered to startup or established businesses. Loans generally range from $500 to $500,000 with loan terms of 5 to 120 months. Individual and group loans carry a 5.5% to 18% annual interest rate, calculated on the declining balance of the loan. During 2018, LiftFund disbursed $32,398,096 in new loans.

2,678 loans receivable were outstanding as of December 31, 2018 for a total balance receivable of $48,628,761, less an allowance for loan losses of $2,815,395.

The loan delinquency status at December 31, 2018 was as follows:

| | | | |
|---|---|---|---|
| Current | $ | 47,017,702 | 96.7% |
| Past Due | | | |
| 31-60 days | | 614,879 | 1.3% |
| 61-90 days | | 274,038 | 0.6% |
| 91-120 days | | 270,671 | 0.5% |
| Over 120 days | | 451,471 | 0.9% |
| Subtotal | | 1,611,059 | 3.3% |
| Total LiftFund portfolio | $ | 48,628,761 | 100% |

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

Changes in loans receivable during 2018 were as follows:

| | | |
|---|---|---|
| Balance, December 31, 2017 | $ | 44,080,486 |
| New loans | | 32,398,096 |
| Principal collected on loans | | (18,677,349) |
| Sale of loans | | (6,736,907) |
| Loans written off | | (2,435,565) |
| Balance, December 31, 2018 | $ | 48,628,761 |

Changes in the allowance for loan losses during 2018 were as follows:

| | | |
|---|---|---|
| Balance, December 31, 2017 | $ | 2,816,708 |
| Loans written off | | (2,435,565) |
| Loan loss accruals | | 1,849,244 |
| Grant reimbursements | | 62,670 |
| Recoveries | | 522,338 |
| Balance, December 31, 2018 | $ | 2,815,395 |

LiftFund has estimated a loan loss reserve balance of 6.25% at December 31, 2018, which was calculated using LiftFund's total loan portfolio of $48,628,761, less the SBA guaranteed balance of $1,356,595, the TCAP guaranteed balance of $1,048,178, and the Goldman Sachs Hurricane Harvey guaranteed balance of $3,563,588, which equals a $42,660,400 balance assessed a loan loss reserve.

Non-performing loans fall into one of the following categories: (1) loans in Chapter 13 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, 2018.

LiftFund assesses and monitors the credit quality of its loans receivable on an ongoing basis. The company 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 company 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, 2018.

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.

During 2018, LiftFund participated in the Community Advantage Pilot Program Loan Guaranty Agreement (SBA CA) with the SBA. Under the terms of the SBA CA program, the SBA provides a guaranty under its 7(a) loan program covering risk of loss against approved loans meeting the program requirements. The Guaranty covers 85% of loans less than $150,000 and 75% of the loan amount between $150,000 and $250,000. All loans must be approved by the SBA for both credit and eligibility to mitigate the risk of loss. The maximum interest rate allowable under these loans is prime plus 6%. The SBA allows the sale of the guaranteed portion of the loan on the secondary market.

During 2018, LiftFund originated 65 SBA CA loans totaling $8,041,386 with an SBA guaranteed portion of $6,711,608. Among other compliance requirements, the SBA CA program requires the establishment of loan reserves equal to at least 5% of the unguaranteed portion of the SBA CA portfolio, as well as 5% of the sold guaranteed portion (up from 3% for loans made prior to October 1, 2018) of the SBA CA portfolio. At December 31, 2018, LiftFund was in compliance with the loan loss reserve requirements.

## Note 4 - Investments

LiftFund's investments are accounted for at fair value with unrealized gains and losses reported in the Statement of Activities. FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of a given measurement date, and establishes a framework for measuring fair value. This standard also establishes a three-level hierarchy for such measurements based on the reliability of observable and unobservable inputs as follows:

Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 - Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

The Corporation's investments, which consist of mortgage backed securities totaling $845,884 at December 31, 2018, are reported at amortized cost and are considered by management to be Level 2 investments.

## Note 5 – Property and Equipment

Property and equipment consists of the following at December 31:

| | 2018 | 2017 |
|---|---|---|
| Land | $ 1,113,568 | $ 1,243,418 |
| Buildings | 8,183,262 | 8,997,374 |
| Equipment | 943,151 | 943,151 |
| Software | 2,459,090 | 2,182,616 |
| Vehicles | 162,392 | 162,392 |
| Total Cost | 12,861,463 | 13,528,951 |
| Less accumulated depreciation | (4,193,193) | (3,822,077) |
| Net property and equipment | $ 8,668,270 | $ 9,706,874 |

Depreciation expense was $657,316 for the year ended December 31, 2018.

## Note 6 – Notes Payable

Notes payable consist of the following:

| Name | Maturity Date | Interest Rate | Balance 12/31/2018 | Collateral | |
|---|---|---|---|---|---|
| Adorers of the Blood of Christ | 10/8/2019 | 2.00% | $ 50,000 | | |
| Adrian Dominican Sisters | 8/15/2021 | 3.00% | 100,000 | | |
| Affordable Homes of South Texas Inc. | 10/1/2025 | 2.75% | 500,000 | | |
| Aissatou Sidime-Blanton | 6/15/2019 | 2.00% | 4,203 | | |
| Allegiance Bank | 8/2/2019 | 4.50% | 496,164 | | |
| Amegy Bank | 7/6/2019 | 5.00% | 50,000 | | |
| Andrea E. Taliaferro | 10/17/2019 | 2.00% | 500 | | |
| Anna Brooke Gutzler | 1/4/2019 | 2.00% | 5,056 | | |
| Annie E. Casey Foundation | 6/30/2019 | 3.00% | 500,000 | | |
| Appalachian Community Capital Corp. | 5/10/2023 | 2.00% | 100,000 | | |
| Arthur Z. Medina | 8/21/2019 | 2.00% | 1,020 | | |
| Bank Of America | 10/1/2020 | 4.50% | 483,625 | *** | 483,625 |
| Bank Of America | 8/3/2023 | 3.00% | 2,000,000 | | |
| Benjamin Coerver | 4/26/2019 | 2.00% | 6,000 | | |
| Bonnie Reed | 7/5/2020 | 2.00% | 10,000 | | |
| Cadence Bank | 6/30/2019 | 4.00% | 320,545 | | |
| Cadence Bank | 6/30/2019 | 4.50% | 983,333 | | |
| Capital One | 12/31/2020 | 5.63% | 1,157,639 | | |
| Capital One | 1/1/2021 | 1.00% | 500,000 | | |
| Central Bank | 5/16/2021 | 5.25% | 204,407 | | |
| Charles A. Gonzalez | 1/1/2019 | 0.00% | 1,000 | | |
| Church of the Blessed Sacrament | 7/14/2019 | 3.00% | 100,000 | | |
| Church of the Blessed Sacrament | 2/28/2019 | 3.00% | 106,000 | | |
| CNote Group Inc. | 12/11/2020 | 3.70% | 189,733 | | |
| CNote Group Inc. | 12/20/2020 | 3.70% | 146,956 | | |
| CNote Group Inc. | 12/25/2020 | 3.70% | 126,052 | | |
| CNote Group Inc. | 1/22/2021 | 3.70% | 193,121 | | |
| CNote Group Inc. | 2/6/2021 | 3.70% | 200,057 | | |
| CNote Group Inc. | 2/15/2021 | 3.70% | 99,783 | | |
| CNote Group Inc. | 2/28/2021 | 3.70% | 181,146 | | |
| CNote Group Inc. | 3/9/2021 | 3.70% | 167,602 | | |
| CNote Group Inc. | 3/9/2021 | 3.70% | 250,000 | | |
| CNote Group Inc. | 3/16/2021 | 3.70% | 113,740 | | |
| CNote Group Inc. | 4/15/2021 | 3.70% | 106,619 | | |
| CNote Group Inc. | 4/22/2021 | 3.70% | 400,000 | | |
| CNote Group Inc. | 5/19/2021 | 3.70% | 75,236 | | |
| CNote Group Inc. | 6/2/2021 | 3.70% | 95,753 | | |
| CNote Group Inc. | 6/4/2021 | 3.70% | 500,000 | | |
| CNote Group Inc. | 6/5/2021 | 3.70% | 77,300 | | |
| CNote Group Inc. | 6/17/2021 | 3.70% | 146,607 | | |
| Comerica Bank | 2/1/2019 | 4.25% | 8,899 | | |
| Congregation of the Divine Providence | 6/22/2021 | 4.00% | 150,000 | | |

**Note 6 – Notes Payable (Continued)**

| Name | Maturity Date | Interest Rate | Balance 12/31/2018 | | Collateral |
|---|---|---|---|---|---|
| Cynthia Merla Spielman | 5/16/2020 | 2.00% | 1,020 | | |
| Dallas Womens Foundation | 2/13/2019 | 2.50% | 75,000 | | |
| Daniel Lopez & Gina Amatangelo | 12/28/2019 | 0.00% | 6,000 | | |
| David W. Blair | 7/1/2019 | 3.00% | 80,000 | | |
| Debra Salge | 2/22/2019 | 2.00% | 1,040 | | |
| Dr. Charles Conlon | 1/1/2019 | 2.00% | 25,000 | | |
| Dr. Harry J. Shafer | 1/1/2019 | 2.00% | 2,040 | | |
| Dr. William Elizondo | 10/10/2019 | 2.00% | 1,000 | | |
| East West Bank | 8/1/2019 | 4.00% | 250,000 | | |
| Edward R . and Luz Elena Day | 10/1/2019 | 2.00% | 3,184 | | |
| Edward R . and Luz Elena Day | 11/1/2019 | 2.00% | 10,612 | | |
| Eliot M. Lee | 1/1/2019 | 2.00% | 1,020 | | |
| Elizabeth Blissman | 3/22/2019 | 2.00% | 20,000 | | |
| Ellen Riojas Clark | 3/2/2019 | 2.00% | 5,202 | | |
| Ellen Riojas Clark | 4/30/2019 | 2.00% | 15,000 | | |
| Farm Bureau Bank | 6/30/2020 | 4.75% | 200,000 | | |
| Farm Bureau Bank | 12/31/2019 | 3.50% | 50,000 | | |
| Father Blanco Memorial Fund | 6/24/2019 | 2.00% | 10,404 | | |
| First Citizens Bank | 3/7/2019 | 5.00% | 50,000 | | |
| First Citizens Bank | 3/7/2019 | 5.00% | 50,000 | | |
| First Citizens Bank | 3/7/2019 | 5.00% | 50,000 | | |
| Frost Bank | 4/24/2019 | 4.75% | 1,000,000 | | |
| George B. Hernandez Jr. | 11/3/2020 | 2.00% | 10,608 | | |
| George H. & Elizabeth Godwin | 11/4/2019 | 1.00% | 10,201 | | |
| Gloria P. Arrechi | 2/3/2019 | 2.00% | 15,606 | | |
| Goldman Sachs | 12/31/2020 | 3.75% | 1,780,562 | * | 1,780,562 |
| Goldman Sachs | 1/9/2023 | 0.00% | 4,593,615 | * | 4,593,615 |
| Heartspring Methodist Foundation | 6/1/2019 | 2.00% | 500,000 | | |
| Iberia Bank | 8/27/2020 | 5.50% | 2,499,804 | * | 2,499,804 |
| Iberia Bank | 8/27/2020 | 5.50% | 392,667 | * | 392,667 |
| Iberia Bank | 8/27/2020 | 5.50% | 439,158 | * | 439,158 |
| Iberia Bank | 8/27/2020 | 5.50% | 2,000,000 | * | 2,000,000 |
| Immaculate Heart of Mary Church | 6/24/2019 | 2.00% | 52,020 | | |
| Jose M.R. and Eloise V. Avila | 5/12/2019 | 2.00% | 10,200 | | |
| Kathryn Martin | 10/13/2019 | 2.00% | 1,000 | | |
| Kiva | 12/31/2020 | 0.00% | 1,209 | | |
| Laura & Sam Dawson | 4/6/2020 | 3.00% | 250,000 | | |
| Linda Foster | 12/3/2018 | 3.00% | 10,609 | | |
| Lissa A. Martinez | 6/18/2021 | 2.00% | 100,000 | | |
| Lucas Coerver | 4/26/2020 | 2.00% | 8,000 | | |
| Lucia Coerver | 4/26/2019 | 2.00% | 5,000 | | |
| Maria and Manuel P. Berriozabal | 3/30/2019 | 2.00% | 56,107 | | |
| Mary Esther Escobedo | 5/10/2020 | 2.00% | 7,000 | | |
| Mary T. Green | 1/4/2019 | 2.00% | 1,040 | | |

## Note 6 – Notes Payable (Continued)

| Name | Maturity Date | Interest Rate | Balance 12/31/2018 | | Collateral |
|---|---|---|---|---|---|
| Midsouth Bank | 11/9/2019 | 2.00% | 423,300 | | |
| Moody National Bank | 1/5/2020 | 2.00% | 500,000 | | |
| NALCAB | 8/25/2020 | 3.00% | 500,000 | | |
| Nazareth Literary & Benevolent Inst | 5/18/2023 | 0.50% | 200,000 | | |
| Norma Gonzalez | 10/28/2020 | 2.00% | 1,040 | | |
| Oblate International Pastoral | 10/15/2020 | 4.00% | 423,668 | | |
| Opportunity Finance Network | 3/31/2021 | 3.00% | 1,875,000 | | |
| People Fund | 10/1/2043 | 1.02% | 1,523,780 | ** | |
| People Fund | 7/1/2038 | 1.00% | 4,454,220 | ** | |
| Pete and Andrea Sitterle | 12/18/2020 | 2.00% | 26,520 | | |
| Philip Eash Gates | 10/1/2019 | 3.00% | 30,918 | | |
| Pioneer Bank | 10/1/2019 | 4.75% | 500,019 | | |
| Priti Mody-Bailey | 3/6/2020 | 2.00% | 1,000 | | |
| Randolph Brooks Federal Credit Union | 4/13/2021 | 4.00% | 250,000 | | |
| REAP Green Enterprise | 5/31/2019 | 3.00% | 450,000 | | |
| REAP Green Enterprise | 5/31/2019 | 3.00% | 100,000 | | |
| REAP Green Enterprise | 5/31/2019 | 3.00% | 250,000 | | |
| REAP Green Enterprise | 5/31/2019 | 3.00% | 200,000 | | |
| REAP Green Enterprise | 5/31/2019 | 4.00% | 1,000,000 | | |
| Redman Foundation | 11/18/2019 | 2.00% | 10,000 | | |
| Regions Bank | 9/22/2020 | 3.00% | 91,854 | | |
| Rhonda Wiley-Jones | 5/12/2019 | 2.00% | 3,000 | | |
| Rick Schimpff | 4/30/2019 | 1.00% | 15,000 | | |
| Robert Boehlert | 10/5/2019 | 2.00% | 210,830 | | |
| Rose Mary Fry | 8/1/2019 | 2.00% | 1,020 | | |
| Sister of the Incarnate Word | 2/24/2019 | 3.00% | 300,000 | | |
| Sisters of Charity Incarnate Word | 11/22/2019 | 2.00% | 200,000 | | |
| Sisters of Saint Dominic | 11/11/2019 | 2.00% | 50,000 | | |
| Small Business Administration | 9/7/2026 | 0.00% | 2,395,833 | * | 2,395,833 |
| Small Business Administration | 6/15/2027 | 0.63% | 1,639,084 | * | 1,639,084 |
| Small Business Administration | 12/12/2021 | 0.00% | 325,000 | * | 325,000 |
| Small Business Administration | 12/12/2021 | 0.00% | 325,000 | * | 325,000 |
| Society of the Divine Word | 2/26/2019 | 2.00% | 50,000 | | |
| Songbae Lee | 3/10/2019 | 1.00% | 1,010 | | |
| Sustainable Communities Fund | 7/31/2019 | 3.00% | 300,000 | | |
| Sylvia and Arthur C. Reyna Jr. | 10/28/2019 | 2.00% | 1,020 | | |
| Tanya Spencer | 12/22/2019 | 2.50% | 204,000 | | |
| Terri and Roger Virost | 6/1/2019 | 1.00% | 15,000 | | |
| Texas Department of Agriculture | 8/31/2019 | 1.00% | 800,000 | * | 800,000 |
| The Bank of San Antonio | 12/31/2019 | 2.00% | 500,000 | | |
| The Basilian Fathers of Toronto | 4/1/2021 | 3.00% | 200,000 | | |
| Tides Foundation | 3/2/2021 | 0.00% | 100,000 | | |

## Note 6 – Notes Payable (Continued)

| Name | Maturity Date | Interest Rate | Balance 12/31/2018 | Collateral | |
|---|---|---|---|---|---|
| Tolleson Private Bank | 5/27/2019 | 3.00% | 50,000 | | |
| U.S. Department of Agriculture | 4/7/2034 | 1.00% | 201,784 | * | 201,784 |
| U.S. Treasury CDFI Fund | 6/30/2019 | 0.00% | 200,000 | | |
| Whitney Bank | 1/23/2019 | 3.50% | 99,708 | | |
| William G. Moll | 7/20/2021 | 2.00% | 10,217 | | |
| Woodforest Bank | 7/15/2020 | 4.50% | 700,000 | | |
| | | | $ 47,267,853 | | |

* Collateralized by loans receivable, and bank accounts if the SBA
** Collateralized by Martin Street property
*** Collateralized by the SBA guaranteed portion of 7A loans

Scheduled principal payments of notes payable are as follows:

| Years Ending December 31, | |
|---|---|
| 2019 | $ 10,964,832 |
| 2020 | 11,948,116 |
| 2021 | 6,746,588 |
| 2022 | - |
| 2023 | 6,893,615 |
| Thereafter | 10,714,702 |
| | $ 47,267,853 |

## Note 7 – 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, 2018. Equity equivalents consist of the following loans:

| Lender | Interest Rate | Balance 12/31/2018 |
|---|---|---|
| AmericanBank | 4.50% | $ 500,000 |
| Bancorp South | 3.00% | 1,000,000 |
| Bank SNB | 3.00% | 500,000 |
| BBVA Compass Bank | 2.00% | 300,000 |
| BBVA Compass Bank | 2.00% | 1,000,000 |
| BBVA Compass Bank | 2.00% | 2,000,000 |
| BBVA Compass Bank | 2.00% | 1,000,000 |

**Note 7 – Equity Equivalents (Continued)**

| Lender | Interest Rate | Balance 12/31/2018 |
|---|---|---|
| Hometown Bank | 3.00% | 250,000 |
| MUFG Union Bank | 2.00% | 1,000,000 |
| Mutual of Omaha | 2.00% | 250,000 |
| Mutual of Omaha | 2.00% | 250,000 |
| Raza Development Fund | 1.00% | 100,000 |
| Raza Development Fund | 2.00% | 200,000 |
| Texas Community Bank | 3.00% | 440,000 |
| The Bank of San Antonio | 2.00% | 250,000 |
| Wells Fargo Bank | 2.00% | 1,000,000 |
| Wells Fargo Bank | 2.00% | 1,402,500 |
| Total | | $ 11,442,500 |

**Note 8 – Restrictions on Net Assets**

Net assets with donor restrictions at December 31, 2018 are available for the following purposes:

| | |
|---|---|
| For subsequent years' activities: | |
| Loan programs | $ 1,196,958 |
| Client education and technical assistance | 1,912,851 |
| Debt service payments | 40,000 |
| Subtotal | 3,149,809 |
| For required reserves: | |
| Small Business Administration | 179,923 |
| Goldman Sachs Bank | 480,000 |
| Subtotal | 659,923 |
| For ACCION Martin Holdings, Inc. NMTC | 967,133 |
| For permanent loan portfolios | 577,163 |
| Total net assets with donor restrictions | $ 5,354,028 |

Net assets were released from donor restrictions by meeting the stipulations or time restrictions specified by the donors during 2018 as follows:

| | |
|---|---|
| Loan programs | $ 374,690 |
| Client education and technical assistance | 1,516,484 |
| Debt service payments | 20,000 |
| Small Business Administration required reserves | 1,170,562 |
| Goldman Sachs Bank required reserves | 1,622 |
| ACCION Martin Holdings, Inc. NMTC | 209,485 |
| Total net assets released from restrictions | $ 1,891,174 |

### Note 9 – 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 $204,024 in 2018.

### Note 10 – Operating Leases Commitments

LiftFund leases office space under noncancelable operating leases expiring through April of 2022. LiftFund leases copiers and computer equipment under operating leases expiring through July of 2022. Lease expense charged to operations for the year ended December 31, 2018 was $303,981.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2018 are as follows:

| Years Ending December 31, | |
|---|---|
| 2019 | $ 235,627 |
| 2020 | 115,538 |
| 2021 | 43,916 |
| 2022 | 18,620 |
| Thereafter | - |
| | $ 413,701 |

### Note 11 – Loan Sale Agreements

LiftFund sold the guaranteed portion of 59 SBA 7(a) Community Advantage loans totaling $6,020,788 on the secondary market during 2018 at a gain of $657,290.

LiftFund sold $716,119 of loans receivable to Woodforest National Bank during 2018 at no gain or loss. Woodforest National Bank has funded a $100,000 grant to LiftFund in 2018 associated with this loan sale. The bank's Chief Executive Officer serves as a LiftFund board member.

### Note 12 – New Market Tax Credit Agreement

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 (NMTC) 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

**Note 12 – New Market Tax Credit Agreement (Continued)**

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 13 – 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, 2018 the cash balances in excess of FDIC limits approximated $11,489,774.

At December 31, 2018, LiftFund was scheduled to make $10,964,832 in principal repayments on its outstanding notes payable during 2018. 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 2018.

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.

### Note 14 – 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 15 – 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 17, 2019, the date on which the financial statements were available to be issued.

# SUPPLEMENTARY INFORMATION

**LIFTFUND INC.**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

**Assets**

| | Liftfund Inc. | ACCION Martin Holdings, Inc. | LiftFund Funding, LLC | Intercompany Eliminations | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 7,943,242 | $ 133,738 | $ 8,991 | $ - | $ 8,085,971 |
| Cash, restricted | 4,528,677 | 69,389 | - | - | 4,598,066 |
| Investments | 845,884 | - | - | - | 845,884 |
| Receivables: | | | | | |
| Loans receivable, net of allowance for loan losses of $2,815,395 in 2018 | 45,813,366 | - | 1,750,000 | (1,750,000) | 45,813,366 |
| Grants and contributions receivable, net of allowance for doubtful accounts of $26,693 in 2018 | 4,036,831 | - | - | - | 4,036,831 |
| Program accounts receivable | 526,529 | 63,083 | - | (63,083) | 526,529 |
| New Market Tax Credit loan receivable | 4,454,220 | - | - | - | 4,454,220 |
| Accrued interest receivable | 264,028 | - | - | - | 264,028 |
| Prepaid expenses and other assets | 488,135 | 280,906 | - | - | 769,041 |
| Recovered asset inventory | 11,000 | - | - | - | 11,000 |
| Property and equipment, net of accumulated depreciation of $4,193,193 in 2018 | 2,249,759 | 6,418,511 | - | - | 8,668,270 |
| Total assets | $ 71,161,671 | $ 6,965,627 | $ 1,758,991 | $ (1,813,083) | $ 78,073,206 |

**Liabilities and Net Assets**

| | Liftfund Inc. | ACCION Martin Holdings, Inc. | LiftFund Funding, LLC | Intercompany Eliminations | Total |
|---|---|---|---|---|---|
| Liabilities: | | | | | |
| Accounts payable | $ 701,783 | $ - | $ 8,663 | $ (63,083) | $ 647,363 |
| Accrued liabilities | 890,580 | 20,494 | - | - | 911,074 |
| Deferred revenue | 1,494,605 | - | - | - | 1,494,605 |
| Notes payable | 43,039,853 | 5,978,000 | - | (1,750,000) | 47,267,853 |
| Equity equivalents | 11,442,500 | - | - | - | 11,442,500 |
| Total liabilities | 57,569,321 | 5,998,494 | 8,663 | (1,813,083) | 61,763,395 |
| Commitments and contingencies | | | | | |
| Net assets: | | | | | |
| Without donor restrictions | 9,205,455 | - | 1,750,328 | - | 10,955,783 |
| With donor restrictions | 4,386,895 | 967,133 | - | - | 5,354,028 |
| Total net assets | 13,592,350 | 967,133 | 1,750,328 | - | 16,309,811 |
| Total liabilities and net assets | $ 71,161,671 | $ 6,965,627 | $ 1,758,991 | $ (1,813,083) | $ 78,073,206 |

See independent auditor's report

**LIFTFUND INC.**
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

| | Liftfund Inc. | ACCION Martin Holdings, Inc. | LiftFund Funding, LLC | Intercompany Eliminations | Total |
|---|---|---|---|---|---|
| **Revenue and support:** | | | | | |
| Public support: | | | | | |
| Governmental grants | $ 3,230,484 | $ - | $ - | $ - | $ 3,230,484 |
| Contributions | 2,551,361 | - | - | - | 2,551,361 |
| In-kind contributions | 1,084,681 | - | - | - | 1,084,681 |
| Revenue: | | | | | |
| Loan interest and fees | 8,661,592 | 522 | 3,125 | (3,125) | 8,662,114 |
| SBA 504 income | 1,881,726 | - | - | - | 1,881,726 |
| Gain on sale of loans | 657,290 | - | - | - | 657,290 |
| Portfolio management services | 232,331 | - | - | - | 232,331 |
| Gain on sale of rental property | 182,371 | - | - | - | 182,371 |
| Office space rental income | 167,035 | - | - | - | 167,035 |
| Interest | 32,229 | | | | 32,229 |
| Miscellaneous revenue | 27,928 | 61,000 | - | (61,000) | 27,928 |
| **Total revenue and support** | 18,709,028 | 61,522 | 3,125 | (64,125) | 18,709,550 |
| **Expenses:** | | | | | |
| Program services - lending | 16,704,732 | 271,007 | 3,110 | (64,125) | 16,914,724 |
| Management and general | 560,938 | - | - | - | 560,938 |
| Fundraising | 1,156,141 | - | - | - | 1,156,141 |
| **Total expenses** | 18,421,811 | 271,007 | 3,110 | (64,125) | 18,631,803 |
| **Change in net assets before noncontrolling interest in LLC** | 287,217 | (209,485) | 15 | - | 77,747 |
| **Change in net assets from noncontrolling interest in LLC** | | | | | |
| Capital contributions | - | - | 500,000 | - | 500,000 |
| Gain on LLC activity | - | - | 36,272 | - | 36,272 |
| Distributions | - | - | (35,959) | - | (35,959) |
| Total change in net assets from noncontrolling interest in LLC | - | - | 500,313 | - | 500,313 |
| **Change in net assets** | 287,217 | (209,485) | 500,328 | - | 578,060 |
| Net assets at beginning of year | 13,305,133 | 1,176,618 | 1,250,000 | - | 15,731,751 |
| Intercompany transfers | - | - | - | - | - |
| **Net assets at end of year** | $ 13,592,350 | $ 967,133 | $ 1,750,328 | $ - | $ 16,309,811 |

See independent auditor's report

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

WEST, DAVIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
GARY W. DAVIS, C.P.A. 11824 JOLLYVILLE ROAD, SUITE 100 gary@westdavis.com
ROBERT H. WEST, C.P.A. AUSTIN, TEXAS 78759 bob@westdavis.com
ROBERT H. WEST, JR., C.P.A. TELEPHONE 503-828-6650 rob@westdavis.com

# 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, 2018, 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 17, 2019.

**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 17, 2019

WEST, DAVIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

GARY W. DAVIS, C.P.A. | 11824 JOLLYVILLE ROAD, SUITE 100 | gary@westdavis.com
ROBERT H. WEST, C.P.A. | AUSTIN, TEXAS 78759 | bob@westdavis.com
ROBERT H. WEST, JR., C.P.A. | TELEPHONE 503-828-6650 | rob@westdavis.com

# 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, 2018. 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, 2018.

**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 17, 2019

**LIFTFUND INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | Federal CFDA Number | Amount Passed to Subrecipients | Federal Expenditures |
|---|---|---|---|
| U.S. Department of the Treasury, Community Development Financial Institutions Fund: | | | |
| CDFI Financial Assistance - Grant | 21.020 | | $ 916,905 |
| CDFI Financial Assistance - Loans | 21.020 | | 200,000 |
| Total U.S. Department of the Treasury | | | 1,116,905 |
| U.S. Small Business Administration: | | | |
| Microloan Program: | | | |
| Microloan Demonstration Program - Loans | 59.046 | | 3,628,122 |
| Microloan Demonstration Program - Technical Assistance Grant | 59.046 | | 716,141 |
| Total Microloan Program | | | 4,344,263 |
| 7(a) Loan Guarantees | 59.012 | | 6,366,608 |
| Women's Business Ownership Assistance | 59.043 | | 247,872 |
| Veterans Business Development | 59.044 | | 89,817 |
| Prime Grant | 59.050 | | 22,274 |
| Total Small Business Administration | | | 11,070,834 |
| U.S. Department of Housing and Urban Development: | | | |
| Border Community Capital Initiative (BCCI) | 14.266 | | 150,465 |
| Delta Community Capital Initiative (DCCI) | 14.271 | | 320,151 |
| Total Department of Housing and Urban Development | | | 470,616 |
| U.S. Department of Agriculture: | | | |
| Intermediary Relending Program - Loans | 10.767 | | 231,218 |
| U.S. Economic Development Administration | | | |
| Revolving Loan Fund - Loans | 11.307 | | 5,426,193 |
| Total U.S. Economic Development Administration | | | 5,426,193 |
| Total Federal Expenditures | | | $ 18,315,766 |

See accompanying notes to schedule of expenditures of federal awards.

### 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. Summary of Significant Accounting Policies

Expenditures - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited to reimbursement.

Indirect Cost Rate - LiftFund has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### 3. Nonmonetary Assistance

LiftFund neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended December 31, 2018.

### 4. Loans and Loan Guarantees Outstanding

In accordance with the *Uniform Guidance, §200.502 Basis for determining Federal awards expended,* since the federal government is at risk for loans and loan guarantees awarded until the debt is repaid, the amount to be presented as expenditures of federal awards for loans and loan guarantees awarded, including those awarded and expended in prior years that have continuing compliance requirements, is:

(1) Value of new loans or loan guarantees made or received during the audit period; plus
(2) Beginning of the audit period balance of loans and loan guarantees from previous years for which the federal government imposes continuing compliance requirements; plus
(3) Any interest subsidy, cash, or administrative cost allowance received.

Accordingly, LiftFund has reported loans and loan guarantees awarded in accordance with the aforementioned criteria. Amounts presented as expenditures of federal awards for loan and loan guarantee programs by federal CFDA number are as follows:

| | 21.020 | 59.012 | 59.046 | 10.767 |
|---|---|---|---|---|
| Value of new loans made | $ - | $ - | $ - | $ - |
| Value of new loan guarantees made | - | 6,366,608 | - | - |
| Loan balance, beginning of the year | 200,000 | - | 3,628,122 | 231,218 |
| Total expenditures of federal awards presented for loan and loan guarantee programs | 200,000 | 6,366,608 | 3,628,122 | 231,218 |
| Balance of loans and loan guarantees at December 31, 2018 | $ 200,000 | $ - | $2,267,243 | $ 201,785 |

During 2018, LiftFund issued loans with a face value $8,041,386 under the U.S. Small Business Administration Community Advantage Pilot 7(a) Loan Guarantee Program (SBA CAP). Loan guarantees were provided under the SBA CAP for either 75% or 85% of the original loan balance, or $6,711,608.

During the year ended December 31, 2018, LiftFund received no insurance, no other loans or loan guarantees, and no other federal assistance for the purpose of administering federal programs.

**5. Basis for Determining Expenditures of Federal Awards for the Economic Adjustment Assistance Program, Federal CFDA 11.307**

The 2017 office of Management and Budget (OMB) Compliance Supplement section 4-11.300 provides a formula to determine the amount to be presented on the schedule of expenditures of federal awards for revolving loan fund (RLF) grants under federal CFDA 11.307. The formula to determine expenditures to be reported in the Schedule is as follows:

(1) The balance of RLF loan outstanding at the end of the recipient's fiscal year, plus;
(2) The cash and investment balance in the RLF at the end of the fiscal year, plus;
(3) Administrative expenses paid out of the RLF during the year, plus;
(4) The unpaid principal of all loans written off during the year; and then multiply this sum by;
(5) The federal share of the RLF based on the federal grant rate as specified in the grant award.

Accordingly, the Organization has reported expenditures of federal awards for its Economic Adjustment Assistance funded RLF program as follows:

| | |
|---|---|
| Balance of RLF loans outstanding at December 31, 2018 | $3,706,547 |
| Cash balance in RLF at December 31, 2018 | 1,567,432 |
| Administrative expenses paid out of the RLF in 2018 | 152,214 |
| Unpaid principal of all RLF loans written off during the year | - |
| Total RLF expenditures | $5,426,193 |

**LIFTFUND INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

**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***

- 59.012 - U.S. Small Business Administration 7(a) Loan Guarantees
- 21.020 - U.S. Department of the Treasury Community Development Financial Institutions Program
- 59.043 - U.S. Small Business Administration Women's Business Ownership Assistance

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**