LIFTFUND INC.

Consolidated Financial Statements

December 31, 2022
with summarized comparative totals for 2021

SCHRIVER
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Certified Public Accountants

LiftFund Inc.

Table of Contents

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Independent Auditor's Report

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

Opinion

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, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LiftFund Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LiftFund Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited LiftFund Inc.'s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information on pages 27 through 29, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 18, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LiftFund Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LiftFund Inc.'s internal control over financial reporting and compliance.

Schriver Carmona

Schriver, Carmona & Company, PLLC

San Antonio, Texas

May 18, 2023

Consolidated Financial Statements

LiftFund Inc.

Consolidated Statements of Financial Position
December 31, 2022 and 2021

		2022		2021
Assets				
Current Assets				
Cash and cash equivalents	$	**5,641,197**	$	38,312,244
Investments		**9,953,200**		1,243,451
Receivables:				
Current portion of loans receivable, net of allowance for credit losses of $989,886 in 2022 and $1,748,409 in 2021		**10,746,753**		14,032,535
Current portion of grants and contributions receivable, net of allowance for doubtful accounts of $200,000 in 2022 and 2021		**3,224,078**		1,172,299
Current portion of program accounts receivable		**24,207**		507,576
Accrued interest receivable		**281,713**		248,064
Prepaid expenses and other assets		**380,458**		488,658
Total Current Assets		**30,251,606**		56,004,827
Cash and cash equivalents, reserved		**3,964,247**		6,021,279
Receivables:				
Loans receivable, net of allowance for credit losses of $3,825,628 in 2022 and $3,024,934 in 2021, less current portion		**41,533,160**		24,277,773
Grants and contributions receivable, less current portion		**41,700**		202,200
Program accounts receivable, less current portion		**1,093,653**		1,220,603
Property and equipment, net of accumulated depreciation of $6,072,947 in 2022 and $5,551,419 in 2021		**7,838,957**		7,940,346
Total Assets	$	**84,723,323**	$	95,667,028
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	**1,415,488**	$	512,148
Accrued liabilities		**1,382,931**		757,345
Deferred revenue		**338,698**		3,763,331
Passthrough grants payable		**1,693,776**		1,628,425
Current portion of notes payable		**4,775,880**		8,584,248
Current portion of equity equivalents		**-**		25,000
Total Current Liabilities		**9,606,773**		15,270,497
Accrued liabilities		**291,027**		633,325
Deferred revenue		**1,612,906**		1,727,464
Notes payable, less current portion		**20,916,616**		25,106,358
Equity equivalents, less current portion		**9,402,500**		9,402,500
Total Liabilities		**41,829,822**		52,140,144
Net Assets:				
Without donor restrictions				
Unrestricted		**36,931,654**		35,770,799
Noncontrolling interest in LLC company		**5,536,859**		6,768,797
With donor restrictions		**424,988**		987,288
Total Net Assets		**42,893,501**		43,526,884
Total Liabilities and Net Assets	$	**84,723,323**	$	95,667,028

The accompanying notes are an integral part of these consolidated financial statements.

LiftFund Inc.

Consolidated Statement of Activities
Year Ended December 31, 2022 (with Comparative Totals for the Year Ended December 31, 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	**Totals**	2021 Totals
Revenue and support				
Public support				
Governmental support	$ 7,396,887	$ -	**$ 7,396,887**	$ 5,697,228
Governmental passthrough grants	29,439,000	-	**29,439,000**	35,486,021
Grants and contributions	4,399,419	-	**4,399,419**	6,281,193
Notes payable forgiven	-	-	**-**	1,596,163
In-kind contributions	692,596	-	**692,596**	422,545
Revenue				
Loan interest and fees	7,488,571	-	**7,488,571**	7,320,093
SBA 504 revenue	1,990,639	-	**1,990,639**	2,010,964
Gain on sale of loans	8,016	-	**8,016**	8,316
Portfolio management services	98,194	-	**98,194**	131,845
Office space rental revenue	42,096	-	**42,096**	93,632
Interest and Investment Income	257,003	-	**257,003**	5,905
Miscellaneous revenue	6,272	-	**6,272**	101,726
Total public support and revenue	51,818,693	-	51,818,693	59,155,631
Net assets released from restrictions	562,300	(562,300)	**-**	-
Total revenue and support	52,380,993	(562,300)	51,818,693	59,155,631
Expenses				
Program services				
Lending	18,217,840	-	**18,217,840**	15,467,953
Passthrough grants	29,439,000	-	**29,439,000**	35,486,021
Leasing activity	-	-	**-**	52,681
Management and general	2,462,617	-	**2,462,617**	1,395,053
Fundraising	1,082,619	-	**1,082,619**	1,177,203
Total expenses	51,202,076	-	**51,202,076**	53,578,911
Change in Net Assets before Noncontrolling interest in LLC	1,178,917	(562,300)	**616,617**	5,576,720
Change in Net Assets from Noncontrolling Interest in LLC Companies	(1,250,000)	-	**(1,250,000)**	2,500,000
Change in Net Assets	(71,083)	(562,300)	(633,383)	8,076,720
Net Assets at Beginning of Year	42,539,596	987,288	**43,526,884**	35,450,164
Net Assets at End of Year	$ 42,468,513	$ 424,988	**$ 42,893,501**	$ 43,526,884

The accompanying notes are an integral part of these consolidated financial statements.

LiftFund Inc.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022 (with Comparative Totals for the Year Ended December 31, 2021)

	Program Services	Support Services: Management and General	Support Services: Fundraising	**2022 Total**	2021 Totals
Personnel costs:					
Salaries and wages	$ 7,372,310	$ 1,217,846	$ 663,578	**$ 9,253,734**	$ 8,078,772
Payroll taxes	562,578	105,638	47,085	**715,301**	581,173
Employee benefits	823,265	284,806	74,859	**1,182,930**	905,933
Total personnel costs	8,758,153	1,608,290	785,522	**11,151,965**	9,565,878
Governmental passthrough grants	29,439,000	-	-	**29,439,000**	35,486,021
Consultants	1,078,812	93,522	38,000	**1,210,334**	1,208,738
Interest	868,397	-	-	**868,397**	813,540
Telecommunications	906,801	110,586	88,468	**1,105,855**	899,201
Program expenses (grant funded)	378,564	-	-	**378,564**	882,301
Portfolio expenses	1,296,226	-	-	**1,296,226**	745,318
Professional fees	603,549	330,837	-	**934,386**	613,536
In-kind interest	692,596	-	-	**692,596**	422,545
Loan credit loss	1,301,447	-	-	**1,301,447**	885,775
Occupancy buildings	339,588	41,413	33,131	**414,132**	381,143
Dues and subscriptions	240,588	29,340	23,472	**293,400**	266,307
Insurance	285,175	34,777	27,822	**347,774**	195,784
Equipment rental and maintenance	165,519	20,185	16,148	**201,852**	185,494
Advertising	350,179	10,949	798	**361,926**	172,751
Service charges and fees	166,420	-	2,259	**168,679**	150,031
Property taxes	137,007	16,708	13,366	**167,081**	144,000
Office expenses	74,040	18,242	5,330	**97,612**	76,232
Conferences and meetings	101,032	35,271	3,939	**140,242**	57,480
Miscellaneous	-	-	-	**-**	20,846
Travel	48,246	60,607	2,852	**111,705**	14,221
Total expenses before depreciation	47,231,339	2,410,727	1,041,107	**50,683,173**	53,187,142
Depreciation	425,501	51,890	41,512	**518,903**	391,769
Total Expenses	$ 47,656,840	$ 2,462,617	$ 1,082,619	**$ 51,202,076**	$ 53,578,911

The accompanying notes are an integral part of these consolidated financial statements.

LiftFund Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in Net Assets	**$ (633,383)**	$ 8,076,720
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities:		
Gain on sale of loans	**(8,016)**	(8,317)
Provision for credit losses	**1,301,447**	885,775
Depreciation	**518,903**	391,769
(Increase) Decrease in operating assets:		
Grants and contributions receivable	**(1,891,279)**	6,306,316
Program accounts receivable	**610,319**	(494,862)
Accrued interest receivable	**(33,649)**	(55,507)
Prepaid expenses and other assets	**108,200**	(153,051)
Increase (Decrease) in operating liabilities:		
Accounts payable	**903,340**	111,168
Accrued liabilities	**283,288**	(1,644,413)
Deferred revenue	**(3,539,191)**	4,642,377
Net Cash Provided (Used) by Operating Activities	**(2,380,021)**	18,057,975
Cash Flows From Investing Activities:		
Disbursements under loan programs	**(36,968,851)**	(39,091,782)
Collections under loan programs	**20,438,457**	59,434,436
Proceeds from sale of loans	**1,332,709**	330,630
Purchases of investments	**(19,985,949)**	-
Proceeds from disposition of investments	**11,498,699**	169,272
Reinvestment of investment income	**(222,499)**	-
Purchases of property and equipment	**(417,514)**	(427,710)
Net Cash Provided (Used) by Investing Activities	**(24,324,948)**	20,414,846
Cash Flows From Financing Activities:		
Change in reserved cash	**2,057,032**	(723,867)
Proceeds from notes payable and equity equivalents	**35,170**	11,309,382
Repayments of notes payable and equity equivalents	**(8,058,280)**	(40,951,712)
Net Cash Used by Financing Activities	**(5,966,078)**	(30,366,197)
Net Increase (Decrease) in Cash and Cash Equivalents	**(32,671,047)**	8,106,624
Cash and Cash Equivalents, Beginning of Year	**38,312,244**	30,205,620
Cash and Cash Equivalents, End of Year	**$ 5,641,197**	$ 38,312,244
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	**$ 949,030**	$ 1,503,334

The accompanying notes are an integral part of these consolidated financial statements.

Note A: The Organization and Summary of Significant Accounting Policies

LiftFund Inc. (LiftFund) 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., helps 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.

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 nonprofit 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 are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) 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

LiftFund is a member of LiftFund Funding, LLC, LiftFund Funding II, LLC, LiftFund Funding III, LLC, and LiftFund Funding IV, LLC, Texas limited liability companies (LLC). The purpose of these LLC companies 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 four LLC companies. The other noncontrolling members are non-managing 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 companies have a dissolution date unless the operating agreements are amended to extend the term.

The financial statements of LiftFund and the noncontrolling interests in the LLC companies 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:

Note A: The Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (Continued)

- 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, whereby 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.

Estimates

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC, 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets.

- *Level 1* - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that LiftFund has the ability to access.

Note A: The Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (Continued)

- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Fair Value of Financial Instruments

LiftFund's financial instruments include cash and cash equivalents, investments, receivables, prepaid expenses, payables, accrued expenses, and deferred revenue. The carrying amount of these financial instruments, except for loans receivable (see **Note C**) and investments (see **Note D**), as reflected in the Consolidated Statements of Financial Position approximates fair value.

Revenue Recognition

LiftFund recognizes loan interest revenue over the term of the loan. Loan fees are earned when the loan transaction is issued and recorded as a receivable. 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 consolidated financial statements, LiftFund considers all liquid investments with original maturities of three months or less to be cash equivalents.

Reserved Cash

Reserved cash consists of separate cash accounts maintained for compliance with certain federal programs. LiftFund has full access to these reserved cash accounts and can access the cash without any legal or contractual consequence.

Contributions, Grants, and In-Kind Contributions

Contributions received and unconditional promises to give are reported as an increase in net assets. Donated materials, including donated facilities having unconditional long-term use and rent-free usage of temporary facilities, and meals provided at no cost to LiftFund, are recorded based on their estimated fair market value on the date of contribution. LiftFund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

Note A: The Organization and Summary of Significant Accounting Policies (continued)

Program Accounts Receivable, Grants and Other Receivables

Program accounts receivable, grants and other receivables are stated at the amount management expects to collect from outstanding balances. 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 have been adequately provided for.

Loans Receivable and Allowance for Credit Losses

Loans receivable are classified as held to maturity and are stated at net realizable value. Interest income on loans is computed based on the outstanding loan balance and is accrued as it becomes receivable under the contractual terms of the note.

Loans receivable may or may not require collateral. Collateral, if applicable, generally consists of various business and/or personal assets of the borrowers.

The allowance for credit losses is increased by provisions for credit losses charged to operating expenses and reduced by loans charged off. Allowances are determined based on risk rating assigned to the portfolio using the LiftFund Portfolio risk rating model. LiftFund rates each loan monthly and adjusts the allowance for credit losses at the end of each quarter. The allowance for credit losses is deemed by management to be adequate to absorb future credit losses. Ultimate losses, however, may vary materially from current estimates at December 31, 2022.

LiftFund considers a loan impaired when based on current information or factors, it is probable that LiftFund will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history, value of collateral, and changes in the net income of the customer. Loans that are delinquent less than 180 days are generally not considered impaired, unless the customer has claimed bankruptcy or LiftFund has received specific information concerning the loan impairment. LiftFund reviews delinquent loans to determine impaired accounts. LiftFund measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows.

Certain loan programs are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired, or collection of interest is doubtful.

Loans are returned to accrual status when the loan is deemed current, and the collectability of principal and interest is no longer doubtful. Interest previously accrued remains outstanding and payments received are first applied to accrued interest and then to principal.

Note A: The Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which range from 3 to 30 years. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose, which are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, LiftFund reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor, and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Expenses for major improvements to fixed assets are capitalized. Expenditures for repairs and maintenance are expensed as incurred. LiftFund capitalizes all purchases of property and equipment exceeding $500.

Federal Income Taxes

LiftFund is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, LiftFund qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a)(2) for the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2022 and 2021.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated on the basis of estimates by management among the programs and supporting services, based primarily on the nature of the expense concerned and percentages of time allocated to these functions. Certain expenses are allocated among programs and support services on an equitable basis based on employee time and effort estimates.

Recent Accounting Pronouncements

<u>Adopted in 2022</u>

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). See **Note J**.

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. See **Note L**.

Note A: The Organization and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

Adopted in 2022 (continued)

In June 2016, the FASB issued ASU 2016-13 Financial Instruments – Credit Losses, along with several amendments, which requires a financial asset or group of financial assets measured at amortized cost to be presented at the net amount expected to be collected. Using judgement in determining relevant information and estimation methods, the measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability for the reported amount. In November 2018, the FASB issued ASU 2018-19 Codification Improvements to Topic 326, Financial Instruments – Credit Losses which provides transition guidance and operating lease guidance. In May 2019, the FASB issued ASU 2019-Financial Instruments – Credit Losses which provides an option to irrevocably elect the fair value option for eligible instruments. In November 2019, the FASB issued ASU 2019-10 Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) which updates the adoption effective date and the ASU 2019-11 Financial Instruments – Credit Losses which eliminates certain accounting guidance for troubled debt restructurings by creditors and enhancing disclosure requirements for certain loan refinancings and restructurings. This ASU is effective for fiscal years beginning after December 15, 2022, for not-for-profit entities, but early adoption is permitted. LiftFund adopted the new accounting guidance effective January 1, 2022, but it did not have a material impact on the consolidated financial statements. See **Note C**.

Note B: Liquidity and Availability of Financial Resources

The following represents LiftFund's financial assets at December 31, 2022 and 2021 available to meet general expenditures over the next twelve months:

	2022		2021	
Financial assets at year end:				
Cash and cash equivalents	**$ 5,641,197**		$ 38,312,244	
Cash and cash equivalents, reserved	**3,964,247**		6,021,279	
Investments	**9,953,200**		1,243,451	
Current portion of loans receivable	**11,736,639**	*	15,780,944	*
Current portion of grants and contributions receivable	**3,424,078**	**	1,372,299	**
Current portion of program accounts receivable	**24,207**		507,576	
Accrued interest receivable	**281,713**		248,064	
	35,025,281		63,485,857	
Less those unavailable for general expenditures over the next twelve months:				
Net assets - donor restricted	**424,988**		987,288	
Cash and cash equivalents, reserved	**3,964,247**		6,021,279	
Debt service principal payments due within one year	**4,775,880**		8,584,248	
Net assets - donor restricted expected to be released within one year	**(160,000)**		(231,467)	
	9,005,115		15,361,348	
Financial assets available to meet general expenditures over the next twelve months	**$ 26,020,166**		$ 48,124,509	

* Gross total without credit loss reserve
** Gross total without allowance for doubtful accounts

Note B: Liquidity and Availability of Financial Resources (continued)

LiftFund's goal is generally to maintain financial assets to meet 90 days of operating expenses before passthrough grants and depreciation (approximately $4.2 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

At December 31, 2022 and 2021, LiftFund was scheduled to make **$4,775,880** and $8,584,248 in principal repayments on its outstanding notes payable during 2023 and 2022, respectively. 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 2023.

Note C: Loans Receivable and Allowance for Credit Losses

LiftFund offers loans to qualifying businesses. These loans are offered to startup or established businesses. Loans generally range from $5,000 to $500,000 with loan terms of 24 to 120 months. Individual loans carry a 5.5% to 9.9% annual interest rate, calculated on the declining balance of the loan. On a limited basis, certain loans carry a 0% interest rate if funded by a Grantor who pays for the interest on behalf of the client. During 2022 and 2021, LiftFund disbursed **$36,968,851** and $39,091,782 in new loans, respectively.

Small business loans are underwritten after evaluating and understanding the borrower's ability to repay the loan through operating profitably and effectively growing its business. LiftFund's underwriting team examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Small business loans are primarily made based on the credit quality and cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most small business loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to add strength to the credit and reduce the risk on a transaction to an acceptable level. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Loans receivable at December 31, 2022 consisted of the following:

Portfolio Makeup	Amount	Amount Guaranteed/ Separate Reserve	Exposed Amount	Credit Loss Reserve on Assessed Risk
SBA 7A Portfolio (LiftFund Portion)	$ 11,450,668	$ -	$ 11,450,668	$ 715,667
SBA PPP Portfolio	275,742	275,742	-	-
Goldman Sachs HH Relief	110,354	24,895	85,459	24,895
Corpus Christi Covid 19	253,716	-	253,716	57,429
Port of Corpus Christi Covid 19	51,725	-	51,725	11,215
USAA Resiliency Fund	1,346,422	-	1,346,422	270,000
El Paso County Covid 19	8,851	-	8,851	2,023
NonGuaranteed Portfolio	43,597,949	-	43,597,949	3,734,285
Total Portfolio	$ 57,095,427	$ 300,637	$ 56,794,790	$ 4,815,514

Note C: Loans Receivable and Allowance for Credit Losses (continued)

Loans receivable at December 31, 2021 consisted of the following:

Portfolio Makeup	Amount	Amount Guaranteed/ Separate Reserve	Exposed Amount	Credit Loss Reserve on Assessed Risk
SBA 7A Portfolio (LiftFund Portion)	$ 5,888,920	$ -	$ 5,888,920	$ 337,713
SBA PPP Portfolio	4,340,470	4,340,470	-	-
Goldman Sachs HH Relief	531,701	106,340	425,361	106,340
Corpus Christi Covid 19	805,355	-	805,355	161,071
Port of Corpus Christi Covid 19	101,559	-	101,559	20,312
USAA Resiliency Fund	196,994	-	196,994	270,000
El Paso County Covid 19	38,970	-	38,970	7,794
NonGuaranteed Portfolio	31,179,682	-	31,179,682	3,870,113
Total Portfolio	$ 43,083,651	$ 4,446,810	$ 38,636,841	$ 4,773,343

As of December 31, 2022 and 2021, loans receivable outstanding consisted of **2,117** and 2,164 loans, respectively, for a total balance receivable of **$57,095,427** and $43,083,651, respectively.

Changes in loans receivable during 2022 and 2021 were as follows:

	2022	2021
Beginning, loans receivable balance	**$ 43,083,651**	$ 64,917,927
New loans	**36,968,851**	39,091,782
Principal collected on loans	**(20,197,975)**	(59,241,902)
Sale of loans	**(1,324,693)**	(330,630)
Loans written off	**(1,434,407)**	(1,353,526)
Ending, loans receivable balance	**$ 57,095,427**	$ 43,083,651

At December 31, 2022 and 2021, LiftFund was scheduled to receive **$11,736,639** and $15,780,944, without credit loss reserve, in principal repayments on its outstanding loans receivable during 2023 and 2022.

LiftFund has certain lending policies and procedures in place that are designed to generate loan income within an acceptable level of risk. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans.

As discussed in **Note A** - Summary of Significant Accounting Policies in the accompanying notes to consolidated financial statements, our policies and procedures related to accounting for credit losses changed on January 1, 2022 in connection with the adoption of a new accounting standard update as codified in ASC Topic 326 (ASC 326) Financial Instruments - Credit Losses. In the case of off-balance sheet credit exposures, the allowance for credit losses is a liability account, calculated in accordance with ASC 326, reported as a component of accrued interest payable and other liabilities in our consolidated balance sheets. The amount of each allowance account represents management's best estimate of current expected credit losses (CECL) on these financial instruments considering available information, from internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the instrument.

Note C: Loans Receivable and Allowance for Credit Losses (continued)

LiftFund's active loan portfolio risk is assessed on a monthly basis using a Portfolio Risk Rating model developed by LiftFund. The model was built using a Random Forest Classifier with 6953 loans. The model was developed in 2021 and tested and validated for twelve months before implementation. The model has four ratings, from A to D, with A being the lowest risk rating. Top variables of the model include: number of instances a customer has been more than 30 days past due, non-sufficient funds activity, remaining loan balance, remaining term, and modifications and other loan servicing actions.

LiftFund risk rates the active portfolio on a monthly basis and the allowance for credit loss reserve is adjusted on a quarterly basis. The allowance for credit losses varies by risk rating pool - the lower the risk pool (Risk Rating Pool A) the lower the allowance, the higher the risk pool (Risk Rating Pool D), the higher the allowance required for the pool. Management reviews the portfolio risk rating pool details monthly and may recommend early allowance for credit loss reserve adjustments if deemed necessary.

The following is the Risk Rating Matrix used to rate each loan:

Risk Rating Pool	Loan Profile
A	Customer stays within the original loan terms and rarely exhibits any signs of delinquency or payment issues.
B	Customer has been late at least once, balance due is less than 50% of original amount, no history of loan modifications.
C	Customer has history of delinquency, may be under a form of loan modification, and the maturity date of the loan may be extended from original term.
D	Customer has long history of payments over 30 days late and non-sufficient funds, may be under a Loan restructure or under bankruptcy protection status.

Loans are charged against the allowance for possible credit 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 credit losses.

Changes in the allowance for credit losses during 2022 and 2021 were as follows:

	2022	2021
Beginning, allowance balance	**$ 4,773,343**	$ 5,056,877
Loans written off	**(1,434,407)**	(1,353,526)
Credit loss accruals	**1,316,967**	876,598
Recoveries	**159,611**	193,394
Ending, allowance balance	**$ 4,815,514**	$ 4,773,343

Note C: Loans Receivable and Allowance for Credit Losses (continued)

The loan delinquency status at December 31, 2022 and 2021 was as follows:

		2022		2021
Current	$	**54,962,841**	$	41,304,540
Past Due				
31-60 days		**1,133,649**		973,629
61-90 days		**381,767**		387,013
91-120 days		**211,919**		254,055
Over 120 days		**405,251**		164,414
Subtotal		**2,132,586**		1,779,111
Total LiftFund portfolio	$	**57,095,427**	$	43,083,651

Loans are considered delinquent if past due over 30 days and delinquent loans over 180 days are charged off. The interest that has been accrued for loans past due over 90 days is $25,938 and $16,328 as of December 31, 2022 and 2021, respectively.

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 2022 and 2021, 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 following date ranges had different SBA guarantee allowances:

- Effective December 27, 2020 through September 30, 2021 the max guarantee percentage allowed up to a 90% guarantee on select loans through the Cares Act.
- Effective October 1, 2021 through May 30, 2022, the SBA allowed an 85% guarantee for loans $150,000 or less and 75% guarantee for loans between $150,000 and $250,000.
- Effective May 31, 2022 the max loan size was increased to $350,000 and the guarantee percentage was changed to 85% for loans of $150,000 or less and 75% for loans greater than $150,000.

In 2022, LiftFund was approved as a delegated lender meaning LiftFund can approve loans for this program under our own authority analyzing 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.

At December 31, 2022 and 2021, LiftFund originated **38** and 14 SBA CA loans totaling **$6,808,950** and $2,414,000 with an SBA guaranteed portion of **$5,259,470** and $2,095,590, respectively. 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 approved prior to October 1, 2019) of the SBA CA portfolio. At December 31, 2022, management has determined that they were in compliance with the credit loss reserve requirements.

Note D: Investments

LiftFund's investments are accounted for at fair value with unrealized gains and losses reported in the Statement of Activities, except for fixed income investments which are accounted for at carrying value. 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 following table sets forth by level, within the fair value hierarchy, LiftFund's assets at fair value and carrying value as of December 31, 2022:

	Fair Value 2022				Carrying Value
	Level 1	**Level 2**	**Level 3**	**Total**	**2022**
Cash & Equivalents	**$ 133,358**	**$ -**	**$ -**	**$ 133,358**	**$ 133,358**
Fixed Income	**-**	**8,456,064**	**-**	**8,456,064**	**8,648,157**
Mortgage-backed Security	**-**	**278,393**	**-**	**278,393**	**278,393**
Other	**-**	**893,292**	**-**	**893,292**	**893,292**
Total Investments at Fair Value	**$ 133,358**	**$ 9,627,749**	**$ -**	**$ 9,761,107**	**$ 9,953,200**

The following table sets forth by level, within the fair value hierarchy, LiftFund's assets at fair value as of December 31, 2021:

	Fair Value 2021				Carrying Value
	Level 1	Level 2	Level 3	Total	2021
Mortgage-backed Security	$ -	$ 350,159	$ -	$ 350,159	$ 350,159
Other	-	893,292	-	893,292	893,292
Total Investments at Fair Value	$ -	$ 1,243,451	$ -	$ 1,243,451	$ 1,243,451

Interest and Investment income consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and Dividends	**$ 347,757**	$ -
Interest from Banks	**33,756**	5,905
Realized Loss on Investments	**(124,510)**	-
Total Interest and Investment Income	**$ 257,003**	$ 5,905

Note E: Property and Equipment

Property and Equipment, net of accumulated depreciation at December 31 is summarized as follows:

	2022	2021
Land	**$ 1,149,569**	$ 1,149,569
Buildings	**8,341,016**	8,160,580
Equipment	**1,749,614**	1,320,104
Software	**2,443,767**	2,367,008
Vehicles	**114,897**	114,897
Asset in Progress	**113,041**	379,607
Total Property and Equipment	**13,911,904**	13,491,765
Less: Accumulated Depreciation	**(6,072,947)**	(5,551,419)
Total Property and Equipment, Net	**$ 7,838,957**	$ 7,940,346

Depreciation expense for the years ended December 31, 2022 and 2021 was **$518,903** and $391,769, respectively.

Note F: Long-Term Debt and Equity Equivalents

Notes Payable

For investments with a maturity date of 2022 or prior, LiftFund is expected to extend the terms or make a principal paydown in 2023. Notes payable consist of the following:

Name	**Maturity Date**	**Balance 12/31/2022**	**Collateral**
ADORERS OF THE BLOOD OF CHRIST	10/08/2024	$ 50,000	
AFFORDABLE HOMES OF SOUTH TEXAS INC.	10/01/2025	500,000	
AISSATOU SIDIM -BLANTON	10/30/2023	4,493	
AMEGY BANK	07/30/2023	49,785	
ANNA-BROOKE GUTZLER	01/04/2024	5,469	
APPALACHIAN COMMUNITY CAPITAL CORP	05/10/2023	100,000	
ARTHUR MEDINA	11/01/2023	1,106	
ARTHUR SITTERLE III & ANDREA SITTERLE	12/18/2024	28,684	
AUSTIN COMMUNITY FOUNDATION	03/15/2025	250,000	
BILL AND MARY REGAN	12/20/2023	2,040	
BONNIE REED	07/05/2023	10,664	
BROADWAY BANK	10/01/2023	75,000	
CAPITAL ONE	04/01/2024	500,000	
CARTLIDGE FAMILY TRUST	07/23/2023	50,000	
CHARLES CONLON	08/27/2023	26,589	
CNOTE GROUP INC	06/12/2023	58,616	
CNOTE GROUP INC	06/21/2023	42,663	
CNOTE GROUP INC	06/26/2023	11,547	
CNOTE GROUP INC - WISDOM FUND	07/15/2024	150,000	
CNOTE GROUP INC - WISDOM FUND	09/17/2025	$ 6,174	

Note F: Long-Term Debt and Equity Equivalents (continued)

Notes Payable (Continued)

Name	Maturity Date	Balance 12/31/2022		Collateral
COMMUNITY FOUNDATION FOR GREATER ATLANTA, INC.	12/22/2025	$ 250,000		
CONGREGATION OF THE SISTERS OF CHARITY OF THE INCARNATE WORD	01/15/2025	200,000		
CORPUS CHRISTI	12/31/2025	383,491		
CYNTHIA SPIELMAN	09/08/2024	1,108		
DEBRA SALGE	08/27/2023	1,125		
EDWARD AND LUZ ELENA DAY	04/01/2023	15,000		
EDWARD BANOS AND BRENDA LANZEL	08/13/2023	254,721		
ELIOT LEE	08/27/2023	1,107		
ELIZABETH BLISSMAN	08/27/2023	20,000		
ELLEN RIOJAS CLARK	04/30/2023	16,238		
ELLEN RIOJAS CLARK	03/08/2023	16,246		
FEDERAL RESERVE	12/15/2025	847,287	*	$ 847,287
FIRST CITIZENS BANK	05/01/2023	49,997		
FIRST CITIZENS BANK	05/01/2023	49,997		
FIRST CITIZENS BANK	05/01/2023	50,000		
FROST BANK	10/27/2023	89,664		
GEORGE HERNANDEZ JR	11/03/2023	11,479		
GOLDMAN SACHS	06/30/2023	124,474	*	$ 124,474
HANCOCK WHITNEY	11/09/2025	423,300		
HARRY SHAFER	01/01/2024	2,165		
JAMES PITTMAN JR.	09/04/2023	1,000		
JOSE & ELOISE AVILA	10/30/2023	11,142		
LAWRENCE & GERRY HARKLESS	01/01/2024	5,000		
LISSA MARTINEZ	06/18/2024	100,000		
LISSA MARTINEZ	04/03/2023	100,000		
LUCIA COERVER	04/26/2024	5,100		
M. KATHRYN MARTIN	08/19/2023	5,001		
MANUEL & MARIA BERRIOZ BAL	03/30/2023	59,541		
MARCUS HERVEY & TRACIE SHELTON HERVEY	03/18/2023	1,061		
MARGARET WEBER	04/12/2024	50,000		
MARY ESTHER ESCOBEDO	11/06/2023	7,715		
MARY GREEN	09/07/2024	1,119		
MUFG UNION BANK	08/01/2024	3,000,000		
NAZARETH LITERARY & BENEVOLENT INSTITUTION	05/18/2023	200,000		
NEW MEXICO SMALL BUSINESS INVESTMENT CORPORATION	03/27/2025	18,402		
OBLATE INTERNATIONAL PASTORAL	11/30/2025	614,750		
OPPORTUNITY FINANCE NETWORK	05/31/2030	3,000,000		
PRITI MODY-BAILEY	08/27/2024	1,090		
RAZA DEVELOPMENT FUND, INC.	12/28/2023	301,269		
REDMAN FOUNDATION	11/18/2025	10,600		
REED & SHERRI HURLEY	04/12/2024	$ 10,613		

Note F: Long-Term Debt and Equity Equivalents (continued)

Notes Payable (Continued)

Name	Maturity Date	Balance 12/31/2022		Collateral
RHONDA WILEY-JONES	08/27/2023	$ 3,138		
RICK SCHIMPFF	04/30/2024	35,000		
ROBERT BOEHLERT	10/05/2023	228,209		
ROGER & TERRI VIROST	06/01/2024	20,000		
ROSE MARY FRY	08/01/2023	1,104		
SAM & LAURA DAWSON	06/10/2023	250,000		
SISTERS OF THE INCARNATE WORD AND BLESSED SACRAMENT	03/01/2023	300,000		
SOCIETY OF THE DIVINE WORD	02/26/2023	50,000		
SONGBAE LEE	03/10/2024	1,040		
STEPHANEY BOLDEN	03/17/2024	5,000		
SUSTAINABLE COMMUNITIES FUND	09/06/2025	200,000		
SUSTAINABLE COMMUNITIES FUND	09/06/2025	200,000		
TEXAS DEPARTMENT OF AGRICULTURE	08/31/2029	565,091	*	$ 565,091
TEXAS WOMENS FOUNDATION	08/01/2023	75,000		
THE MICHAEL AND SUSAN DELL FOUNDATION	12/31/2025	3,500,000		
TIDES FOUNDATION	03/02/2024	100,000		
TOLLESON PRIVATE BANK	05/27/2023	50,000		
U.S. SMALL BUSINESS ADMINISTRATION	06/15/2027	905,807	*	905,807
U.S. SMALL BUSINESS ADMINISTRATION	02/01/2031	2,245,370	*	2,245,370
U.S. SMALL BUSINESS ADMINISTRATION	09/07/2026	1,157,937	*	$ 1,157,937
UNITED WAY FOUNDATION OF METROPOLITAN DALLAS	07/16/2023	50,000		
WILLIAM & MARILYN MOLL	07/20/2023	10,100		
WILLIAM ELIZONDO	08/27/2023	1,068		
WOODNEXT	12/07/2031	3,500,000		
YVONNE KATZ	03/23/2023	5,000		
		$ 25,692,496		

* Collateralized by loans receivable, and bank accounts of the SBA.

Note F: Long-Term Debt and Equity Equivalents (continued)

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,		
2023	$	4,775,880
2024		5,725,778
2025		6,701,957
2026		3,088,643
2027		457,855
Thereafter		4,942,383
	$	25,692,496

Equity Equivalents

An equity equivalent is an unsecured general obligation. It is fully subordinated to the right of repayment of all other creditors. Payment of interest is required quarterly and semi-annually. Interest payments are current at December 31, 2022. Equity equivalents consist of the following loans:

Name	Maturity Date		Balance 12/31/2022
BANCORPSOUTH	07/31/2025	$	1,000,000
CIT BANK, N.A.	12/07/2026		250,000
CIT BANK, N.A.	03/16/2028		250,000
HOMETOWN BANK	07/06/2026		250,000
PNC BANK	03/31/2025		1,000,000
PNC BANK	03/31/2025		2,000,000
PNC BANK	03/31/2025		1,000,000
SIMMONS BANK	05/03/2026		500,000
TEXAS COMMUNITY BANK	05/01/2025		500,000
THE BANK OF SAN ANTONIO	12/31/2024		250,000
WELLS FARGO BANK	12/19/2028		1,000,000
WELLS FARGO BANK	08/25/2025		1,402,500
		$	9,402,500

Paycheck Protection Program Loan

In April 2020, the Organization was granted a $1,596,163 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved banking partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The loan was forgiven in full in March 2021 and the Organization has recognized $1,596,163 as Notes Payable Forgiven in the Statement of Activities for the year ended December 31, 2021.

Note G: Net Assets

Net assets with donor restrictions at December 31, 2022 and 2021 are available for the following purposes:

		2022		2021
For subsequent years' activities:				
Loan programs	**$**	**264,988**	$	667,288
Client education and technical assistance		**160,000**		320,000
Total net assets with donor restrictions	**$**	**424,988**	$	987,288

Net assets were released from donor restrictions by meeting the stipulations or time restrictions specified by the donors during 2022 and 2021 as follows:

		2022		2021
Loan programs	**$**	**402,300**	$	260,014
Client education and technical assistance		**160,000**		-
	$	**562,300**	$	260,014

Note H: 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. Contributions to the plan for the years ended December 31, 2022 and 2021 were **$230,116** and $229,865, respectively.

Note I: Passthrough Grants

For the years ended December 31, 2022 and 2021, LiftFund received **$29,439,000** and $35,486,021, respectively ($27,480,000 was CARES/ARPA) through several cities, counties and municipalities funding through individual, business, and foundation donors, which LiftFund used to provide grants of up to $75,000 to qualifying small businesses impacted by the COVID-19 pandemic. For the years ended December 31, 2022 and 2021, LiftFund awarded **1,681** and 2,068 grants to various small businesses throughout the communities served amounting to **$28,009,104** and $32,344,000 in order to help them maintain their operations during the pandemic, respectively.

Note J: Leases

As discussed in **Note A**, LiftFund adopted ASU 2016-02 during 2022. LiftFund assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded in the Statement of Financial Position. Lease expense is recognized for these leases on a straight-line basis over the lease term. LiftFund has elected to apply the short-term lease exception to all leases with a term of 12 months or less. Management of LiftFund determined that the remaining lease payments on existing leases as of December 31, 2022 did not have a material impact to the consolidated financial statements as of and for the year ended December 31, 2022. Therefore, no lease liability or right-to-use asset has been recorded as of December 31, 2022.

Note J: Leases (continued)

LiftFund leases office space under noncancelable operating leases expiring through December of 2025. LiftFund leases copiers through a month-to-month lease. A computer equipment lease ended July 2022. Lease expense charged to operations for the years ended December 31, 2022 and 2021 was $201,852 and $185,494, respectively.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2022 are as follows:

2023	$	90,485
2024		55,526
2025		31,500
	$	177,511

Note K: Loan Sale Agreements

LiftFund did not sell any guaranteed portion of SBA 7(a) Community Advantage loans or any nonguaranteed small business loans on the secondary market during 2022 and 2021. LiftFund did sell small business loans totaling **$1,324,693** and $330,630 during 2022 and 2021, respectively.

Note L: Contributed Nonfinancial Assets

As discussed in **Note A**, LiftFund adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets during 2022. LiftFund carries some notes payable loans at interest rates below prevailing market rates and an in-kind contribution is generated. The value of the in-kind contribution is the difference between the stated interest rate in the loan agreement and the prevailing weighted average market interest rate for that fiscal year. LiftFund recorded in-kind contributions of **$692,596** and $422,545 for the years ended December 31, 2022 and 2021 respectively.

Note M: Concentrations of Credit Risk

Financial instruments which potentially subject the organization to a concentration of credit risk consist of its cash balances held at its financial institution. The accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. In the normal course of business, LiftFund periodically maintains cash in its operating accounts in excess of the FDIC insured amount. At December 31, 2022 and 2021, the cash balances at the institutions were in excess of the FDIC limit by $7,819,105 and $23,286,746, respectively. At December 31, 2022 and 2021, the brokerage balance was in excess of the SIPC limit by $9,204,535 and $0, respectively.

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 provides financing to small businesses in Texas, Alabama, Arkansas, California, Florida, Georgia, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, New Mexico, Oklahoma, South Carolina, Tennessee, and Virginia. The organization has been in business since 1994.

Note M: Concentrations of Credit Risk (continued)

The following table represents LiftFund's portfolio balance by state as of December 31, 2022 and 2021:

As of December 31, 2022

State	Percentage	Portfolio Balance
Texas	83.77%	$ 47,830,164
Georgia	5.65%	3,227,886
Louisiana	3.61%	2,063,765
Florida	3.09%	1,761,419
Alabama	0.88%	499,636
New Mexico	0.82%	469,005
Tennessee	0.76%	433,875
Mississippi	0.63%	358,803
Arkansas	0.27%	154,586
South Carolina	0.16%	89,998
Oklahoma	0.12%	67,094
Missouri	0.10%	59,365
Nevada	0.04%	23,551
California	0.04%	20,167
Michigan	0.03%	15,034
Virginia	0.02%	12,496
Kentucky	0.02%	8,583
		$ 57,095,427

As of December 31, 2021

State	Percentage	Portfolio Balance
Texas	86.29%	$ 37,176,677
Georgia	3.96%	1,705,704
Louisiana	3.35%	1,442,390
Florida	2.17%	936,320
California	1.23%	531,431
Alabama	0.80%	346,819
New Mexico	0.59%	254,748
Tennessee	0.56%	239,309
Arkansas	0.26%	111,426
South Carolina	0.20%	84,767
Oklahoma	0.18%	78,487
Mississippi	0.16%	69,935
New York	0.11%	49,037
Kentucky	0.09%	38,831
Missouri	0.04%	17,770
		$ 43,083,651

Note N: 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 O: Subsequent Events

Subsequent events have been evaluated through May 18, 2023, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

LiftFund Inc.

Consolidating Statement of Financial Position
December 31, 2022

	LiftFund Inc.	Funding LLC Companies	Intercompany Eliminations	Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 5,615,597	$ 25,600	$ -	$ 5,641,197
Investments	9,953,200	-	-	9,953,200
Receivables:				
Current portion of loans receivable, net of allowance for credit losses of $989,886 in 2022	10,746,753	-	-	10,746,753
Current portion of grants and contributions receivable, net of allowance for doubtful accounts of $200,000 in 2022	3,224,078	-	-	3,224,078
Current portion of program accounts receivable	24,207			24,207
Accrued interest receivable	281,713	-	-	281,713
Prepaid expenses and other assets	523,158	-	(142,700)	380,458
Total Current Assets	30,368,706	25,600	(142,700)	30,251,606
Cash and cash equivalents, reserved	3,964,247	-	-	3,964,247
Receivables:				
Loans receivable, net of allowance for credit losses of $3,825,628 in 2022, less current portion	41,533,160	5,500,000	(5,500,000)	41,533,160
Grants and contributions receivable, less current portion	41,700	-	-	41,700
Program accounts receivable, less current portion	1,093,653	177,247	(177,247)	1,093,653
Property and equipment, net of accumulated depreciation of $6,072,947 in 2022	7,838,957	-	-	7,838,957
Total Assets	$ 84,840,423	$ 5,702,847	$ (5,819,947)	$ 84,723,323
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 1,415,488	$ -	$ -	$ 1,415,488
Accrued liabilities	1,216,943	165,988	-	1,382,931
Deferred revenue	658,645	-	(319,947)	338,698
Passthrough grants payable	1,693,776	-	-	1,693,776
Current portion of notes payable	4,775,880	-	-	4,775,880
Total Current Liabilities	9,760,732	165,988	(319,947)	9,606,773
Accrued liabilities	291,027	-	-	291,027
Deferred revenue	1,612,906	-	-	1,612,906
Notes payable, less current portion	26,416,616	-	(5,500,000)	20,916,616
Equity equivalents	9,402,500	-	-	9,402,500
Total Liabilities	47,483,781	165,988	(5,819,947)	41,829,822
Net Assets:				
Without donor restrictions				
Unrestricted	36,931,654	-	-	36,931,654
Noncontrolling interest in LLC company	-	5,536,859	-	5,536,859
With donor restrictions	424,988	-	-	424,988
Total Net Assets	37,356,642	5,536,859	-	42,893,501
Total Liabilities and Net Assets	$ 84,840,423	$ 5,702,847	$ (5,819,947)	$ 84,723,323

See independent auditor's report.

LiftFund Inc.

Consolidating Statement of Activities
For the Year Ended December 31, 2022

	LiftFund Inc.			Funding LLC Companies				Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals	Eliminations	Without Donor Restriction	With Donor Restriction	Total
Revenue and support										
Public support										
Governmental support	$ 7,396,887	$ -	$ 7,396,887	$ -	$ -	$ -	$ -	$ 7,396,887	$ -	$ 7,396,887
Governmental passthrough grants	29,439,000	-	29,439,000	-	-	-	-	29,439,000	-	29,439,000
Grants and contributions	4,399,419	-	4,399,419	-	-	-	-	4,399,419	-	4,399,419
Notes payable forgiven	-	-	-	-	-	-	-	-	-	-
In-kind contributions	692,596	-	692,596	-	-	-	-	692,596	-	692,596
Revenue							-	-	-	
Loan interest and fees	7,488,571	-	7,488,571	183,687	-	183,687	(183,687)	7,488,571	-	7,488,571
SBA 504 revenue	1,990,639	-	1,990,639	-	-	-	-	1,990,639	-	1,990,639
Gain on sale of loans	8,016	-	8,016	-	-	-	-	8,016	-	8,016
Portfolio management services	98,194	-	98,194	-	-	-	-	98,194	-	98,194
Office space rental revenue	42,096	-	42,096	-	-	-	-	42,096	-	42,096
Interest and Investment Income	256,895	-	256,895	108	-	108	-	257,003	-	257,003
Miscellaneous revenue	6,272	-	6,272	-	-	-	-	6,272	-	6,272
Net assets released from restrictions	562,300	(562,300)	-	-	-	-	-	562,300	(562,300)	-
Total Support and Revenues	52,380,885	(562,300)	51,818,585	183,795	-	183,795	(183,687)	52,380,993	(562,300)	51,818,693
Expenses										
Program services										
Lending	18,235,794	-	18,235,794	165,733	-	165,733	(183,687)	18,217,840	-	18,217,840
Passthrough grants	29,439,000	-	29,439,000	-	-	-	-	29,439,000	-	29,439,000
Leasing activity	-	-	-	-	-	-	-	-	-	-
Management and general	2,462,617	-	2,462,617	-	-	-	-	2,462,617	-	2,462,617
Fundraising	1,082,619	-	1,082,619	-	-	-	-	1,082,619	-	1,082,619
Total Expenses	51,220,030	-	51,220,030	165,733	-	165,733	(183,687)	51,202,076	-	51,202,076
Change in net assets before noncontrolling interest in LLC companies	1,160,855	(562,300)	598,555	18,062	-	18,062	-	1,178,917	(562,300)	616,617
Change in net assets from noncontrolling interest in LLC companies	-	-	-	(1,250,000)	-	(1,250,000)	-	(1,250,000)	-	(1,250,000)
Change in Net Assets	1,160,855	(562,300)	598,555	(1,231,938)	-	(1,231,938)	-	(71,083)	(562,300)	(633,383)
Net Assets at Beginning of Year	35,770,799	987,288	36,758,087	6,768,797	-	6,768,797	-	42,539,596	987,288	43,526,884
Net Assets at End of Year	$ 36,931,654	$ 424,988	$ 37,356,642	$ 5,536,859	$ -	$ 5,536,859	$ -	$ 42,468,513	$ 424,988	$ 42,893,501

See independent auditor’s report.

LiftFund Inc.

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2022

	LiftFund Inc.						
		Support Services					
	Program Services	Management and General	Fundraising	Totals	**Funding LLC Companies**	Eliminations	**Consolidated Totals**
Personnel costs:							
Salaries and wages	$ 7,372,310	$ 1,217,846	$ 663,578	$ 9,253,734	$ -	$ -	$ 9,253,734
Payroll taxes	562,578	105,638	47,085	715,301	-	-	715,301
Employee benefits	823,265	284,806	74,859	1,182,930	-	-	1,182,930
Total personnel costs	8,758,153	1,608,290	785,522	11,151,965	-	-	11,151,965
Governmental passthrough grants	29,439,000	-	-	29,439,000	-	-	29,439,000
Consultants	1,078,812	93,522	38,000	1,210,334	-	-	1,210,334
Interest	886,445	-	-	886,445	165,639	(183,687)	868,397
Telecommunications	906,801	110,586	88,468	1,105,855		-	1,105,855
Program expenses (grant funded)	378,564	-	-	378,564	-	-	378,564
Portfolio expenses	1,296,226	-	-	1,296,226	-	-	1,296,226
Professional fees	603,549	330,837	-	934,386	-	-	934,386
In-kind interest	692,596	-	-	692,596	-	-	692,596
Loan credit loss	1,301,447	-	-	1,301,447	-	-	1,301,447
Occupancy buildings	339,588	41,413	33,131	414,132	-	-	414,132
Dues and subscriptions	240,588	29,340	23,472	293,400	-	-	293,400
Insurance	285,175	34,777	27,822	347,774	-	-	347,774
Equipment rental and maintenance	165,519	20,185	16,148	201,852	-	-	201,852
Advertising	350,179	10,949	798	361,926	-	-	361,926
Service charges and fees	166,326	-	2,259	168,585	94	-	168,679
Property taxes	137,007	16,708	13,366	167,081		-	167,081
Office expenses	74,040	18,242	5,330	97,612	-	-	97,612
Conferences and meetings	101,032	35,271	3,939	140,242	-	-	140,242
Travel	48,246	60,607	2,852	111,705	-	-	111,705
Total Expenses before Depreciation	47,249,293	2,410,727	1,041,107	50,701,127	165,733	(183,687)	50,683,173
Depreciation	425,501	51,890	41,512	518,903	-	-	518,903
Total Expenses	$ 47,674,794	$ 2,462,617	$ 1,082,619	$ 51,220,030	$ 165,733	$ (183,687)	$ 51,202,076

See independent auditor's report.