

# LIFTFUND INC.

## Consolidated Financial Statements

December 31, 2023  
with summarized comparative totals for 2022



# LiftFund Inc.

## Table of Contents

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	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities (with Comparative Totals)	5
Consolidated Statement of Functional Expenses (with Comparative Totals)	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
<b>Supplementary Information</b>	
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities	26
Consolidating Statement of Functional Expenses	27

## **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, 2023, 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, 2023, 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 United 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.

## **Independent Auditor's Report (Continued)**

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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.

### ***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 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.

### ***Report on Summarized Comparative Information***

We have previously audited LiftFund Inc.'s 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Independent Auditor's Report (Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024, 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.

A handwritten signature in cursive script, appearing to read "Schriver Carmona".

Schrive, Carmona & Company, PLLC

San Antonio, Texas

May 17, 2024

## **Consolidated Financial Statements**

# LiftFund Inc.

## Consolidated Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 19,225,485	\$ 5,641,197
Investments	8,960,762	9,953,200
Receivables:		
Current Portion of Loans Receivable, Net of Allowance for Credit Losses of \$1,076,481 in 2023 and \$989,886 in 2022	11,688,978	10,746,753
Current Portion of Grants and Contributions Receivable, Net of Allowance for Doubtful Accounts of \$25,000 in 2023 and \$200,000 in 2022	1,535,852	3,224,078
Current Portion of Program Accounts Receivable	199,191	24,207
Accrued Interest Receivable	410,280	281,713
Prepaid Expenses and Other Assets	515,371	380,458
<b>Total Current Assets</b>	<b>42,535,919</b>	<b>30,251,606</b>
Cash and Cash Equivalents, Reserved	3,750,124	3,964,247
Receivables:		
Loans Receivable, Net of Allowance for Credit Losses of \$3,816,614 in 2023 and \$3,825,628 in 2022, Less Current Portion	42,271,628	41,533,160
Grants and Contributions Receivable, Less Current Portion	-	41,700
Program Accounts Receivable, Less Current Portion	1,501,527	1,093,653
Property and Equipment, Net of Accumulated Depreciation of \$6,666,727 in 2023 and \$6,072,947 in 2022	8,004,693	7,838,957
<b>Total Assets</b>	<b>\$ 98,063,891</b>	<b>\$ 84,723,323</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 523,706	\$ 1,415,488
Accrued Liabilities	1,292,511	1,382,931
Deferred Revenue	1,244,056	338,698
Passthrough Grants Payable	669,641	1,693,776
Notes Payable, Current Portion	6,593,857	4,775,880
<b>Total Current Liabilities</b>	<b>10,323,771</b>	<b>9,606,773</b>
Accrued Liabilities	256,860	291,027
Deferred Revenue	813,855	1,612,906
Notes Payable, Less Current Portion	31,570,064	20,916,616
Equity Equivalents	10,000,000	9,402,500
<b>Total Liabilities</b>	<b>52,964,550</b>	<b>41,829,822</b>
<b>Net Assets:</b>		
Without Donor Restrictions		
Unrestricted	37,543,258	36,931,654
Noncontrolling Interest in LLC Companies	7,291,095	5,536,859
With Donor Restrictions	264,988	424,988
<b>Total Net Assets</b>	<b>45,099,341</b>	<b>42,893,501</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 98,063,891</b>	<b>\$ 84,723,323</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

**LiftFund Inc.**

Consolidated Statement of Activities

Year Ended December 31, 2023 (with Comparative Totals for the Year Ended December 31, 2022)

	<b>2023</b>			2022 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
<b>Support and Revenues</b>				
<i>Support:</i>				
Governmental Support	\$ 7,170,478	\$ -	\$ 7,170,478	\$ 7,396,887
Governmental Passthrough Grants	17,311,324	-	17,311,324	29,439,000
Grants and Contributions	2,963,930	-	2,963,930	4,399,419
Contributed Nonfinancial Assets	1,737,121	-	1,737,121	692,596
<i>Revenues:</i>				
Loan Interest and Fees	7,747,210	-	7,747,210	7,488,571
SBA 504 Revenue	2,547,914	-	2,547,914	1,990,639
Gain on Sale of Loans	586,848	-	586,848	8,016
Portfolio Management Services	131,988	-	131,988	98,194
Office Space Rental Revenue	31,260	-	31,260	42,096
Interest and Investment Income	335,049	-	335,049	257,003
Miscellaneous Revenue	-	-	-	6,272
<b>Total Support and Revenues</b>	<b>40,563,122</b>	<b>-</b>	<b>40,563,122</b>	<b>51,818,693</b>
Net Assets Released from Restrictions	160,000	(160,000)	-	-
<b>Total Support and Revenues</b>	<b>40,723,122</b>	<b>(160,000)</b>	<b>40,563,122</b>	<b>51,818,693</b>
<b>Expenses</b>				
<i>Program Services:</i>				
Lending	19,289,004	-	19,289,004	18,217,840
Passthrough Grants	17,311,324	-	17,311,324	29,439,000
<i>Support Services:</i>				
Management and general	2,032,789	-	2,032,789	2,462,617
Fundraising	1,474,165	-	1,474,165	1,082,619
<b>Total Expenses</b>	<b>40,107,282</b>	<b>-</b>	<b>40,107,282</b>	<b>51,202,076</b>
<b>Change in Net Assets Before Noncontrolling Interest in LLC Companies</b>	<b>615,840</b>	<b>(160,000)</b>	<b>455,840</b>	<b>616,617</b>
<b>Change in Net Assets from Noncontrolling Interest in LLC Companies</b>	<b>1,750,000</b>	<b>-</b>	<b>1,750,000</b>	<b>(1,250,000)</b>
<b>Change in Net Assets</b>	<b>2,365,840</b>	<b>(160,000)</b>	<b>2,205,840</b>	<b>(633,383)</b>
<b>Net Assets at Beginning of Year</b>	<b>42,468,513</b>	<b>424,988</b>	<b>42,893,501</b>	<b>43,526,884</b>
<b>Net Assets at End of Year</b>	<b>\$ 44,834,353</b>	<b>\$ 264,988</b>	<b>\$ 45,099,341</b>	<b>\$ 42,893,501</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.



**LiftFund Inc.**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023 (with Comparative Totals for the Year Ended December 31, 2022)

	Program Services	Support Services		2023 Total	2022 Totals
		Management and General	Fundraising		
<b>Personnel Costs:</b>					
Salaries and Wages	\$ 7,225,767	\$ 934,665	\$ 873,168	\$ 9,033,600	\$ 9,253,734
Payroll Taxes	554,999	69,388	65,353	689,740	715,301
Employee Benefits	1,071,066	225,914	100,726	1,397,706	1,182,930
<b>Total Personnel Costs</b>	<b>8,851,832</b>	<b>1,229,967</b>	<b>1,039,247</b>	<b>11,121,046</b>	<b>11,151,965</b>
Governmental Passthrough Grants	17,311,324	-	-	17,311,324	29,439,000
Consultants	831,485	69,412	37,524	938,421	1,210,334
Interest	1,118,652	-	-	1,118,652	868,397
Technology Expenses	964,655	303,177	110,246	1,378,078	1,105,855
Program Expenses (Grant Funded)	393,723	-	-	393,723	378,564
Portfolio Expenses	1,198,399	-	-	1,198,399	1,296,226
Professional Fees	379,140	108	13,400	392,648	934,386
Contributed Nonfinancial Assets	1,737,121	-	-	1,737,121	692,596
Loan Credit Loss	2,192,956	-	-	2,192,956	1,301,447
Occupancy Buildings	188,657	59,293	21,561	269,511	414,132
Dues and Subscriptions	143,868	45,216	16,442	205,526	293,400
Insurance	190,352	59,825	21,755	271,932	347,774
Equipment Rental and Maintenance	33,188	10,431	3,793	47,412	201,852
Advertising	273,113	-	117,048	390,161	361,926
Service Charges and Fees	-	-	-	-	168,679
Property Taxes	107,577	33,810	12,295	153,682	167,081
Office Expenses	46,770	22,300	8,109	77,179	97,612
Conferences and Meetings	96,008	30,174	10,972	137,154	140,242
Miscellaneous	-	202	-	202	-
Travel	122,315	38,442	13,979	174,736	111,705
<b>Total expenses before Depreciation</b>	<b>36,181,135</b>	<b>1,902,357</b>	<b>1,426,371</b>	<b>39,509,863</b>	<b>50,683,173</b>
Depreciation	419,193	130,432	47,794	597,419	518,903
<b>Total Expenses</b>	<b>\$ 36,600,328</b>	<b>\$ 2,032,789</b>	<b>\$ 1,474,165</b>	<b>\$ 40,107,282</b>	<b>\$ 51,202,076</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

**LiftFund Inc.**

Consolidated Statements of Cash Flows  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ 2,205,840	\$ (633,383)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Sale of Loans	(586,848)	(8,016)
Provision for Credit Losses	2,192,956	1,301,447
Depreciation	597,419	518,903
Gain on Disposal of Asset	(1,000)	-
(Increase) Decrease in:		
Grants and Contributions Receivable	1,729,926	(1,891,279)
Program Accounts Receivable	(582,858)	610,319
Accrued Interest Receivable	(128,567)	(33,649)
Prepaid Expenses and Other Assets	(134,913)	108,200
Increase (Decrease) in:		
Accounts Payable	(891,782)	903,340
Accrued Liabilities	(124,587)	283,288
Deferred Revenue	106,307	(3,539,191)
Passthrough Grants Payable	(1,024,135)	65,351
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>3,357,758</u>	<u>(2,314,670)</u>
<b>Cash Flows From Investing Activities:</b>		
Disbursements Under Loan Programs	(30,207,039)	(36,968,851)
Collections Under Loan Programs	15,197,736	20,373,106
Proceeds from Sale of Loans	11,722,502	1,332,709
Purchases of Investments	(15,110,334)	(19,985,949)
Proceeds from Sale of Investments	16,591,293	11,498,699
Reinvestment of Income from Investment Dividends and Interest, Net of Fees	(488,521)	(222,499)
Purchase of Property and Equipment	(762,155)	(417,514)
<b>Net Cash Used by Investing Activities</b>	<u>(3,056,518)</u>	<u>(24,390,299)</u>
<b>Cash Flows From Financing Activities:</b>		
Change in Reserved Cash	214,123	2,057,032
Proceeds from Notes Payable and Equity Equivalents	20,115,625	35,170
Repayments of Notes Payable and Equity Equivalents	(7,046,700)	(8,058,280)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>13,283,048</u>	<u>(5,966,078)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>13,584,288</b>	<b>(32,671,047)</b>
Cash and Cash Equivalents, Beginning of Year	<u>5,641,197</u>	<u>38,312,244</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ <u>19,225,485</u></b>	<b>\$ <u>5,641,197</u></b>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Interest	<u>\$ 1,136,036</u>	<u>\$ 949,030</u>

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, LiftFund Funding IV, LLC and LiftFund Funding V, 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 five 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, and receivables. 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 Contributed Nonfinancial Assets***

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, 2023.

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 and charged off, 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.

LiftFund continues to accrue interest until the loan is impaired and charged off.

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.

## **LiftFund Inc.**

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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### **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, 2023 and 2022.

#### ***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.

#### ***Summarized Financial Information***

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with LiftFund’s financial statements for the year ended December 31, 2022 from which the summarized information was derived.

## LiftFund Inc.

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

#### Note B: Liquidity and Availability of Financial Resources

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

	<u>2023</u>	<u>2022</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 19,225,485	\$ 5,641,197
Cash and Cash Equivalents, Reserved	3,750,124	3,964,247
Investments	8,960,762	9,953,200
Current Portion of Loans Receivable	12,765,459 *	11,736,639
Current Portion of Grants and Contributions Receivable	1,560,852 **	3,424,078
Current Portion of Program Accounts Receivable	199,191	24,207
Accrued Interest Receivable	410,280	281,713
	<u>46,872,153</u>	<u>35,025,281</u>
Less those unavailable for general expenditures over the next twelve months:		
Net Assets - Donor Restricted	264,988	424,988
Cash and Cash Equivalents, Reserved	3,750,124	3,964,247
Debt Service Principal Payments due within one year	6,593,857	4,775,880
Net Assets - Donor Restricted expected to be released within one year	<u>(39,988)</u>	<u>(160,000)</u>
	<u>10,568,981</u>	<u>9,005,115</u>
Financial Assets available to meet general expenditures over the next twelve months	\$ <u>36,303,172</u>	\$ <u>26,020,166</u>

\* Gross total without Credit Loss Reserve

\*\* Gross total without Allowance for Doubtful Accounts

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.

As of December 31, 2023, LiftFund has experienced a significant increase in its cash balance. This increase is primarily attributable to loan sales, the issuance of new notes payable, and strategic equity investments. The excess cash on hand will be utilized to bolster lending activities, facilitating increased access to credit for customers and supporting economic growth within the organization's target markets.

At December 31, 2023 and 2022, LiftFund was scheduled to make **\$6,593,857** and \$4,775,880 in principal repayments on its outstanding notes payable during 2024 and 2023, 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 2024.

#### 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 12.5% 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 2023 and 2022, LiftFund disbursed **\$30,207,039** and \$36,968,851 in new loans, respectively.



**LiftFund Inc.**

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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

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, 2023 consisted of the following:

Portfolio Makeup	Amount	Amount Guaranteed/ Separate Reserve	Exposed Amount	Credit Loss Reserve on Assessed Risk
SBA 7A Portfolio (LiftFund Portion)	\$ 8,296,042	\$ 6,577,725	\$ 1,718,317	\$ 518,503
SBA PPP Portfolio	16,299	16,299	-	-
Corpus Christi Covid 19	5,951	-	5,951	1,190
Port of Corpus Christi Covid 19	18,790	-	18,790	3,758
USAA Resiliency Fund	935,404	-	935,404	187,081
NonGuaranteed Portfolio	<u>49,581,215</u>	<u>-</u>	<u>49,581,215</u>	<u>4,182,563</u>
<b>Total Portfolio</b>	<b><u>\$ 58,853,701</u></b>	<b><u>\$ 6,594,024</u></b>	<b><u>\$ 52,259,677</u></b>	<b><u>\$ 4,893,095</u></b>

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	\$ 9,068,637	\$ 2,382,031	\$ 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	<u>43,597,949</u>	<u>-</u>	<u>43,597,949</u>	<u>3,734,285</u>
<b>Total Portfolio</b>	<b><u>\$ 57,095,427</u></b>	<b><u>\$ 9,369,274</u></b>	<b><u>\$ 47,726,153</u></b>	<b><u>\$ 4,815,514</u></b>

As of December 31, 2023 and 2022, loans receivable outstanding consisted of **2,152** and 2,117 loans, respectively, for a total balance receivable of **\$58,853,701** and \$57,095,427, respectively.

## LiftFund Inc.

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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

Changes in loans receivable during 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Loans Receivable Balance - Beginning	\$ 57,095,427	\$ 43,083,651
New Loans	30,207,039	36,968,851
Principal Collected on Loans	(15,197,736)	(20,197,975)
Sale of Loans	(11,135,653)	(1,324,693)
Loans Written Off	<u>(2,115,376)</u>	<u>(1,434,407)</u>
Loans Receivable Balance - Ending	\$ <u>58,853,701</u>	\$ <u>57,095,427</u>

At December 31, 2023 and 2022, LiftFund was scheduled to receive **\$12,765,459** and \$11,736,639, without credit loss reserve, in principal repayments on its outstanding loans receivable during 2024 and 2023, respectively.

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.

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.

**LiftFund Inc.**

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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

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.

Certain loan classes are exempt from the risk rating pool calculation as the program agreement requires a specific loan loss reserve percentage. The loan balance breakout between the risk rating pools as of December 31 is as follows:

Risk Rating Pool	<u>2023</u>	<u>2022</u>
A	\$ <b>51,599,610</b>	\$ 49,499,502
B	<b>1,212,586</b>	1,136,007
C	<b>836,730</b>	924,568
D	<b>4,190,240</b>	3,468,988
Exempt	<b><u>1,014,535</u></b>	<u>2,066,362</u>
Total Loans Receivable	\$ <b><u>58,853,701</u></b>	\$ <u>57,095,427</u>

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 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Allowance Balance - Beginning	\$ <b>4,815,514</b>	\$ 4,773,343
Loans Written Off	<b>(2,266,651)</b>	(1,434,407)
Credit Loss Accruals	<b>2,192,956</b>	1,301,447
Recoveries	<b><u>151,276</u></b>	<u>175,131</u>
Allowance Balance - Ending	\$ <b><u>4,893,095</u></b>	\$ <u>4,815,514</u>

## LiftFund Inc.

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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

The loan delinquency status at December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Current	\$ <u>56,126,801</u>	\$ <u>54,962,841</u>
Past Due		
31-60 days	1,521,115	1,133,649
61-90 days	231,423	381,767
91-120 days	578,295	211,919
Over 120 days	<u>396,067</u>	<u>405,251</u>
Subtotal	<u>2,726,900</u>	<u>2,132,586</u>
Total LiftFund portfolio	\$ <u>58,853,701</u>	\$ <u>57,095,427</u>

Loans are considered delinquent if past due over 30 days and delinquent loans over 180 days are impaired and charged off. The interest that has been accrued for loans past due over 90 days is **\$31,425** and \$25,938 as of December 31, 2023 and 2022, 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 2023 and 2022, 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, 2023 and 2022, LiftFund originated **49** and 38 SBA CA loans totaling **\$6,870,463** and \$6,808,950 with an SBA guaranteed portion of **\$5,484,067** and \$5,259,470, 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, 2023, management has determined that they were in compliance with the credit loss reserve requirements.

## LiftFund Inc.

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

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

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, 2023:

	Fair Value				Carrying Value
	2023				
	Level 1	Level 2	Level 3	Total	2023
Cash and Equivalents	\$ 7,833,428	\$ -	\$ -	\$ 7,833,428	\$ 7,833,428
Fixed Income	-	-	-	-	-
Mortgage-backed Security	-	230,542	-	230,542	230,542
Other	-	896,792	-	896,792	896,792
<b>Total Investments at Fair Value</b>	<b>\$ 7,833,428</b>	<b>\$ 1,127,334</b>	<b>\$ -</b>	<b>\$ 8,960,762</b>	<b>\$ 8,960,762</b>

The following table sets forth by level, within the fair value hierarchy, LiftFund's assets at fair value as of December 31, 2022:

	Fair Value				Carrying Value
	2022				
	Level 1	Level 2	Level 3	Total	2022
Cash and 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
<b>Total Investments at Fair Value</b>	<b>\$ 133,358</b>	<b>\$ 9,627,749</b>	<b>\$ -</b>	<b>\$ 9,761,107</b>	<b>\$ 9,953,200</b>

## LiftFund Inc.

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

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#### Note D: Investments (Continued)

Interest and Investment income consisted of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 294,963	\$ 347,757
Interest from Banks	124,412	33,756
Realized Loss on Investments	<u>(84,326)</u>	<u>(124,510)</u>
Total Interest and Investment Income	<u>\$ 335,049</u>	<u>\$ 257,003</u>

#### Note E: Property and Equipment

Property and Equipment, Net of Accumulated Depreciation consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,149,569	\$ 1,149,569
Buildings	8,402,966	8,341,016
Equipment	2,444,269	1,749,614
Software	2,487,680	2,443,767
Vehicles	114,897	114,897
Asset in Progress	<u>72,039</u>	<u>113,041</u>
Total Property and Equipment	<u>14,671,420</u>	<u>13,911,904</u>
Less: Accumulated Depreciation	<u>(6,666,727)</u>	<u>(6,072,947)</u>
Total Property and Equipment, Net	<u>\$ 8,004,693</u>	<u>\$ 7,838,957</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was **\$597,419** and \$518,903, respectively.

#### Note F: Long-Term Debt and Equity Equivalents

##### Notes Payable

For investments with a maturity date of 2023 or prior, LiftFund is expected to extend the terms or make a principal paydown in 2024. Notes payable consist of the following:

Notes payable to various individuals with interest rates between 0.0 percent and 3.0 percent with various payment terms. Full principal amounts are due at maturity, which vary through 2028.	\$ 1,178,475
Notes payable to various foundations, corporations, and agencies with interest rates between 0.0 percent and 4.5 percent with various payment terms. Full principal amounts due at maturity, which vary through 2030.	10,960,529
Notes payable to various banks with interest rates between 0.0 percent and 8.5 percent with various payment terms. Full principal amounts due at maturity, which vary through 2031.	19,712,718
Notes payable collateralized by loans with interest rates between 0.0 percent and 1.0 percent with various payment terms. Full principal amounts due at maturity, which vary through 2032.	<u>6,312,199</u>
	<u>\$ 38,163,921</u>

## LiftFund Inc.

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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

#### Notes Payable (Continued)

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,	
2024	\$ 6,593,857
2025	10,388,789
2026	3,200,165
2027	704,230
2028	5,512,504
Thereafter	<u>11,764,376</u>
	\$ <u>38,163,921</u>

#### 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, 2023. Equity equivalents consist of the following loans:

Name	Maturity Date	Balance 12/31/2023
BANCORPSOUTH	07/31/2025	\$ 1,000,000
BANKUNITED	12/15/2024	500,000
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	12/01/2035	<u>2,500,000</u>
		\$ <u>10,000,000</u>

### Note G: Net Assets

Net Assets With Donor Restrictions at December 31 are available for the following purposes:

	2023	2022
For subsequent years' activities:		
Loan programs	\$ 264,988	\$ 264,988
Client education and technical assistance	<u>-</u>	<u>160,000</u>
Total net assets with donor restrictions	\$ <u>264,988</u>	\$ <u>424,988</u>

## LiftFund Inc.

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

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#### Note G: Net Assets (Continued)

Net assets were released from donor restrictions by meeting the stipulations or time restrictions specified by the donors during 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Loan programs	\$ -	\$ 402,300
Client education and technical assistance	<u>160,000</u>	<u>160,000</u>
	<u>\$ 160,000</u>	<u>\$ 562,300</u>

#### 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, 2023 and 2022 were **\$244,987** and \$230,116, respectively.

#### Note I: Passthrough Grants

For the years ended December 31, 2023 and 2022, LiftFund received **\$17,311,324** and \$29,439,000, respectively, 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, 2023 and 2022, LiftFund awarded **904** and 1,681 grants to various small businesses throughout the communities served amounting to **\$17,854,220** and \$28,009,104 in order to help them maintain their operations during the pandemic, respectively.

#### Note J: Leases

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, 2023 and 2022 did not have a material impact to the consolidated financial statements as of and for the year ended December 31, 2023 and 2022. Therefore, no lease liability or right-to-use asset has been recorded as of December 31, 2023 and 2022.

LiftFund leases office space under noncancelable operating leases expiring through December of 2027. LiftFund leases copiers under a noncancelable operating lease expiring December of 2027. Lease expense charged to operations for the years ended December 31, 2023 and 2022 was **\$146,075** and \$201,852, respectively, and is included in Occupancy Buildings on the Consolidated Statement of Functional Expenses.



## LiftFund Inc.

### Notes to Consolidated Financial Statements December 31, 2023 and 2022

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#### Note J: Leases (Continued)

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2023 are as follows:

2024	\$	100,003
2025		65,710
2026		34,210
2027		<u>2,850</u>
	\$	<u>202,773</u>

#### Note K: Loan Sale Agreements

LiftFund did sell the guaranteed portion of SBA 7(a) Community Advantage loans in the amount of **\$8,343,885** and \$0 on the secondary market during 2023 and 2022, respectively. LiftFund did sell nonguaranteed small business loans totaling **\$2,791,768** and \$1,324,693 during 2023 and 2022, respectively.

#### Note L: Contributed Nonfinancial Assets

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 **\$1,737,121** and \$692,596 for the years ended December 31, 2023 and 2022 respectively.

#### Note M: 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 N: 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, 2023 and 2022, the cash balances at the institutions were in excess of the FDIC limit by **\$21,908,513** and \$7,819,105, respectively. At December 31, 2023 and 2022, the brokerage balance was in excess of the SIPC limit by **\$7,909,954** and \$8,704,535, 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.

**LiftFund Inc.**Notes to Consolidated Financial Statements  
December 31, 2023 and 2022**Note N: Concentrations of Credit Risk (Continued)**

The following table represents LiftFund's portfolio balance by state as of December 31, 2023 and 2022:

<b>As of December 31, 2023</b>		
<b>State</b>	<b>Percentage</b>	<b>Portfolio Balance</b>
Texas	83.67%	\$ 49,241,853
Georgia	5.93%	3,489,500
Louisiana	3.83%	2,255,923
Florida	2.56%	1,508,411
Alabama	1.23%	722,727
New Mexico	0.84%	494,470
Tennessee	0.84%	494,262
Mississippi	0.33%	192,685
Arkansas	0.23%	135,480
South Carolina	0.18%	105,645
Oklahoma	0.17%	101,851
Missouri	0.10%	61,507
New York	0.07%	44,050
Kentucky	0.01%	5,337
		<b>\$ 58,853,701</b>

<b>As of December 31, 2022</b>		
<b>State</b>	<b>Percentage</b>	<b>Portfolio Balance</b>
Texas	81.25%	\$ 47,830,164
Georgia	5.48%	3,227,886
Louisiana	3.51%	2,063,765
Florida	2.99%	1,761,419
Alabama	0.85%	499,636
New Mexico	0.80%	469,005
Tennessee	0.74%	433,875
Mississippi	0.61%	358,803
Arkansas	0.26%	154,586
South Carolina	0.15%	89,998
Oklahoma	0.11%	67,094
Missouri	0.10%	59,365
Nevada	0.04%	23,551
California	0.03%	20,167
Michigan	0.03%	15,034
Virginia	0.02%	12,496
Kentucky	0.01%	8,583
		<b>\$ 57,095,427</b>

## **LiftFund Inc.**

Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

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### **Note O: Reclassification**

Certain amounts in the 2022 presentation have been reclassified to conform to the 2023 presentation. Net assets and change in net assets are unchanged due to the reclassifications.

### **Note P: Subsequent Events**

Subsequent events have been evaluated through May 17, 2024, which is the date the consolidated financial statements were available to be issued.

## **Supplementary Information**

# LiftFund Inc.

## Consolidating Statement of Financial Position December 31, 2023

	<u>LiftFund Inc.</u>	<u>Funding LLC Companies</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 19,225,728	\$ (243)	\$ -	\$ 19,225,485
Investments	8,960,762	-	-	8,960,762
Receivables:				
Current Portion of Loans Receivable, Net of Allowance for Credit Losses of \$1,076,481 in 2023	11,688,978	-	-	11,688,978
Current Portion of Grants and Contributions Receivable, Net of Allowance for Doubtful Accounts of \$25,000 in 2023	1,535,852	-	-	1,535,852
Current Portion of Program Accounts Receivable	199,191	-	-	199,191
Accrued Interest Receivable	410,280	-	-	410,280
Prepaid Expenses and Other Assets	632,228	-	(116,857)	515,371
<b>Total Current Assets</b>	<b>42,653,019</b>	<b>(243)</b>	<b>(116,857)</b>	<b>42,535,919</b>
Cash and Cash Equivalents, Reserved	3,750,124	-	-	3,750,124
Receivables:				
Loans Receivable, Net of Allowance for Credit Losses of \$3,669,821 in 2023, Less Current Portion	42,271,628	7,250,000	(7,250,000)	42,271,628
Grants and Contributions Receivable, Less Current Portion	-	-	-	-
Program Accounts Receivable, Less Current Portion	1,501,527	195,987	(195,987)	1,501,527
Property and Equipment, Net of Accumulated Depreciation of \$6,666,727 in 2023	8,004,693	-	-	8,004,693
<b>Total Assets</b>	<b>\$ 98,180,991</b>	<b>\$ 7,445,744</b>	<b>\$ (7,562,844)</b>	<b>\$ 98,063,891</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 523,706	\$ -	\$ -	\$ 523,706
Accrued Liabilities	1,137,862	154,649	-	1,292,511
Deferred Revenue	1,556,900	-	(312,844)	1,244,056
Passthrough Grants Payable	669,641	-	-	669,641
Notes Payable, Current Portion	6,593,857	-	-	6,593,857
<b>Total Current Liabilities</b>	<b>10,481,966</b>	<b>154,649</b>	<b>(312,844)</b>	<b>10,323,771</b>
Accrued Liabilities	256,860	-	-	256,860
Deferred Revenue	813,855	-	-	813,855
Notes Payable, Less Current Portion	38,820,064	-	(7,250,000)	31,570,064
Equity Equivalents	10,000,000	-	-	10,000,000
<b>Total Liabilities</b>	<b>60,372,745</b>	<b>154,649</b>	<b>(7,562,844)</b>	<b>52,964,550</b>
<b>Net Assets:</b>				
Without Donor Restrictions				
Unrestricted	37,543,258	-	-	37,543,258
Noncontrolling Interest in LLC Companies	-	7,291,095	-	7,291,095
With Donor Restrictions	264,988	-	-	264,988
<b>Total Net Assets</b>	<b>37,808,246</b>	<b>7,291,095</b>	<b>-</b>	<b>45,099,341</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 98,180,991</b>	<b>\$ 7,445,744</b>	<b>\$ (7,562,844)</b>	<b>\$ 98,063,891</b>

See Independent Auditor's Report.

**LiftFund Inc.**

**Consolidating Statement of Activities  
Year Ended December 31, 2023**

	<b>LiftFund Inc.</b>			<b>Funding LLC Companies</b>			<b>Eliminations</b>	<b>Consolidated</b>		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals		Without Donor Restriction	With Donor Restriction	Total
<b>Support and Revenues</b>										
<i>Support:</i>										
Governmental Support	\$ 7,170,478	\$ -	\$ 7,170,478	\$ -	\$ -	\$ -	\$ -	\$ 7,170,478	\$ -	\$ 7,170,478
Governmental Passthrough Grants	17,311,324	-	17,311,324	-	-	-	-	17,311,324	-	17,311,324
Grants and Contributions	2,963,930	-	2,963,930	-	-	-	-	2,963,930	-	2,963,930
Contributed Nonfinancial Assets	1,737,121	-	1,737,121	-	-	-	-	1,737,121	-	1,737,121
<i>Revenues:</i>										
Loan Interest and Fees	7,747,210	-	7,747,210	168,837	-	168,837	(168,837)	7,747,210	-	7,747,210
SBA 504 Revenue	2,547,914	-	2,547,914	-	-	-	-	2,547,914	-	2,547,914
Gain on Sale of Loans	586,848	-	586,848	-	-	-	-	586,848	-	586,848
Portfolio Management Services	131,988	-	131,988	-	-	-	-	131,988	-	131,988
Office Space Rental Revenue	31,260	-	31,260	-	-	-	-	31,260	-	31,260
Interest and Investment Income	335,049	-	335,049	-	-	-	-	335,049	-	335,049
<b>Total Support and Revenues</b>	<b>40,563,122</b>	<b>-</b>	<b>40,563,122</b>	<b>168,837</b>	<b>-</b>	<b>168,837</b>	<b>(168,837)</b>	<b>40,563,122</b>	<b>-</b>	<b>40,563,122</b>
Net Assets Released from Restrictions	160,000	(160,000)	-	-	-	-	-	160,000	(160,000)	-
<b>Total Support and Revenues</b>	<b>40,723,122</b>	<b>(160,000)</b>	<b>40,563,122</b>	<b>168,837</b>	<b>-</b>	<b>168,837</b>	<b>(168,837)</b>	<b>40,723,122</b>	<b>(160,000)</b>	<b>40,563,122</b>
<b>Expenses</b>										
<i>Program Services:</i>										
Lending	19,293,240	-	19,293,240	164,601	-	164,601	(168,837)	19,289,004	-	19,289,004
Passthrough Grants	17,311,324	-	17,311,324	-	-	-	-	17,311,324	-	17,311,324
<i>Support Services:</i>										
Management and general	2,032,789	-	2,032,789	-	-	-	-	2,032,789	-	2,032,789
Fundraising	1,474,165	-	1,474,165	-	-	-	-	1,474,165	-	1,474,165
<b>Total Expenses</b>	<b>40,111,518</b>	<b>-</b>	<b>40,111,518</b>	<b>164,601</b>	<b>-</b>	<b>164,601</b>	<b>(168,837)</b>	<b>40,107,282</b>	<b>-</b>	<b>40,107,282</b>
<b>Change in Net Assets Before Noncontrolling Interest in LLC Companies</b>	<b>611,604</b>	<b>(160,000)</b>	<b>451,604</b>	<b>4,236</b>	<b>-</b>	<b>4,236</b>	<b>-</b>	<b>615,840</b>	<b>(160,000)</b>	<b>455,840</b>
<b>Change in Net Assets from Noncontrolling Interest in LLC Companies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,750,000</b>	<b>-</b>	<b>1,750,000</b>	<b>-</b>	<b>1,750,000</b>	<b>-</b>	<b>1,750,000</b>
<b>Change in Net Assets</b>	<b>611,604</b>	<b>(160,000)</b>	<b>451,604</b>	<b>1,754,236</b>	<b>-</b>	<b>1,754,236</b>	<b>-</b>	<b>2,365,840</b>	<b>(160,000)</b>	<b>2,205,840</b>
<b>Net Assets at Beginning of Year</b>	<b>36,931,654</b>	<b>424,988</b>	<b>37,356,642</b>	<b>5,536,859</b>	<b>-</b>	<b>5,536,859</b>	<b>-</b>	<b>42,468,513</b>	<b>424,988</b>	<b>42,893,501</b>
<b>Net Assets at End of Year</b>	<b>\$ 37,543,258</b>	<b>\$ 264,988</b>	<b>\$ 37,808,246</b>	<b>\$ 7,291,095</b>	<b>\$ -</b>	<b>\$ 7,291,095</b>	<b>\$ -</b>	<b>\$ 44,834,353</b>	<b>\$ 264,988</b>	<b>\$ 45,099,341</b>

See Independent Auditor's Report.

**LiftFund Inc.**

Consolidating Statement of Functional Expenses  
Year Ended December 31, 2023

	<b>LiftFund Inc.</b>				<b>Funding LLC Companies</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
	<b>Program Services</b>	<b>Support Services Management and General</b>	<b>Fundraising</b>	<b>Totals</b>			
<b>Personnel Costs:</b>							
Salaries and Wages	\$ 7,225,767	\$ 934,665	\$ 873,168	\$ 9,033,600	\$ -	\$ -	\$ 9,033,600
Payroll Taxes	554,999	69,388	65,353	689,740	-	-	689,740
Employee Benefits	1,071,066	225,914	100,726	1,397,706	-	-	1,397,706
<b>Total Personnel Costs</b>	<b>8,851,832</b>	<b>1,229,967</b>	<b>1,039,247</b>	<b>11,121,046</b>	<b>-</b>	<b>-</b>	<b>11,121,046</b>
Governmental Passthrough Grants	17,311,324	-	-	17,311,324	-	-	17,311,324
Consultants	815,425	69,412	37,524	922,361	16,060	-	938,421
Interest	1,138,948	-	-	1,138,948	148,541	(168,837)	1,118,652
Technology Expenses	964,655	303,177	110,246	1,378,078	-	-	1,378,078
Program Expenses (Grant Funded)	393,723	-	-	393,723	-	-	393,723
Portfolio Expenses	1,198,399	-	-	1,198,399	-	-	1,198,399
Professional Fees	379,140	108	13,400	392,648	-	-	392,648
Contributed Nonfinancial Assets	1,737,121	-	-	1,737,121	-	-	1,737,121
Loan Credit Loss	2,192,956	-	-	2,192,956	-	-	2,192,956
Occupancy Buildings	188,657	59,293	21,561	269,511	-	-	269,511
Dues and Subscriptions	143,868	45,216	16,442	205,526	-	-	205,526
Insurance	190,352	59,825	21,755	271,932	-	-	271,932
Equipment Rental and Maintenance	33,188	10,431	3,793	47,412	-	-	47,412
Advertising	273,113	-	117,048	390,161	-	-	390,161
Service Charges and Fees	-	-	-	-	-	-	-
Property Taxes	107,577	33,810	12,295	153,682	-	-	153,682
Office Expenses	46,770	22,300	8,109	77,179	-	-	77,179
Conferences and Meetings	96,008	30,174	10,972	137,154	-	-	137,154
Miscellaneous	-	202	-	202	-	-	202
Travel	122,315	38,442	13,979	174,736	-	-	174,736
<b>Total Expenses before Depreciation</b>	<b>36,185,371</b>	<b>1,902,357</b>	<b>1,426,371</b>	<b>39,514,099</b>	<b>164,601</b>	<b>(168,837)</b>	<b>39,509,863</b>
Depreciation	419,193	130,432	47,794	597,419	-	-	597,419
<b>Total Expenses</b>	<b>\$ 36,604,564</b>	<b>\$ 2,032,789</b>	<b>\$ 1,474,165</b>	<b>\$ 40,111,518</b>	<b>\$ 164,601</b>	<b>\$ (168,837)</b>	<b>\$ 40,107,282</b>

See Independent Auditor's Report.