

LIFTFUND INC.

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

December 31, 2020

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

LIFTFUND INC.
AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of LiftFund Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LiftFund Inc. and subsidiaries as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited LiftFund Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2021, on our consideration of LiftFund Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LiftFund Inc.'s internal control over financial reporting and compliance.

West, Davis & Company, LLP

Certified Public Accountants

Austin, Texas

May 21, 2021

LIFTFUND INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	Assets	
	2020	2019
Cash and cash equivalents	\$ 30,205,620	\$ 5,328,422
Cash, restricted	5,297,412	4,768,897
Investments	1,412,723	1,566,141
Receivables:		
Loans receivable, net of allowance for loan losses of \$5,056,877 in 2020 and \$2,759,309 in 2019	59,861,050	45,375,314
Grants and contributions receivable, net of allowance for doubtful accounts of \$26,693 in 2020 and 2019	7,680,815	5,819,280
Program accounts receivable	1,233,317	1,064,359
New Market Tax Credit loan receivable	-	4,454,220
Accrued interest receivable	192,557	289,218
Prepaid expenses and other assets	324,607	763,834
Recovered asset inventory	11,000	11,000
Property and equipment, net of accumulated depreciation of \$5,159,650 in 2020 and \$4,770,615 in 2019	7,904,405	8,226,152
Total assets	\$ 114,123,506	\$ 77,666,837
	Liabilities and Net Assets	
	2020	2019
Liabilities:		
Accounts payable	\$ 400,980	\$ 940,582
Accrued liabilities	3,035,083	2,377,755
Deferred revenue	2,476,843	817,964
Notes payable	63,207,936	44,462,819
Equity equivalents	9,552,500	10,022,500
Total liabilities	78,673,342	58,621,620
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Unrestricted	29,952,988	10,565,388
Noncontrolling interest in LLC company	4,249,874	4,250,313
With donor restrictions	1,247,302	4,229,516
Total net assets	35,450,164	19,045,217
Total liabilities and net assets	\$ 114,123,506	\$ 77,666,837

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

LIFTFUND INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Public support:				
Governmental support	\$ 11,451,085	\$ -	\$ 11,451,085	\$ 3,447,469
Governmental passthrough grants	64,442,040	-	64,442,040	-
Grants and contributions	16,704,882	-	16,704,882	3,981,720
Notes payable forgiven	1,523,780	-	1,523,780	-
In-kind contributions	636,399	-	636,399	1,222,717
Revenue:				
Loan interest and fees	6,022,535	-	6,022,535	6,633,031
SBA 504 revenue	1,988,028	-	1,988,028	1,943,378
Gain on sale of loans	143,176	-	143,176	414,426
Portfolio management services	162,362	-	162,362	317,234
Office space rental revenue	103,431	-	103,431	120,751
Interest	27,850	-	27,850	40,218
Miscellaneous revenue	41,346	-	41,346	54,986
Total public support and revenue	103,246,914	-	103,246,914	18,175,930
Net assets released from restrictions	2,982,214	(2,982,214)	-	-
Total revenue and support	106,229,128	(2,982,214)	103,246,914	18,175,930
Expenses:				
Program services:				
Lending	19,436,873	-	19,436,873	15,813,814
Passthrough grants	64,442,040	-	64,442,040	-
Leasing activity	505,058	-	505,058	271,375
Management and general	1,092,874	-	1,092,874	792,837
Fundraising	1,365,122	-	1,365,122	1,062,498
Total expenses	86,841,967	-	86,841,967	17,940,524
Change in net assets before noncontrolling interest in LLC	19,387,161	(2,982,214)	16,404,947	235,406
Change in net assets from noncontrolling interest in LLC companies	-	-	-	2,500,000
Change in net assets	19,387,161	(2,982,214)	16,404,947	2,735,406
Net assets at beginning of year	14,815,701	4,229,516	19,045,217	16,309,811
Net assets at end of year	\$ 34,202,862	\$ 1,247,302	\$ 35,450,164	\$ 19,045,217

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

LIFTFUND INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 16,404,947	\$ 2,735,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain)/loss on sale of loans	(143,176)	(414,426)
Provision for loan losses	3,829,907	1,866,909
Forgiveness of notes payable	(1,523,780)	-
Depreciation	465,327	577,423
(Increase) decrease in operating assets		
Grants receivable	(1,861,535)	(1,782,449)
Program accounts receivable	(168,958)	(537,830)
Accrued interest receivable	96,661	(25,190)
Prepaid expenses and other assets	439,227	5,207
Increase (decrease) in operating liabilities		
Accounts payable	(539,602)	293,219
Accrued liabilities	657,328	1,466,681
Deferred revenue	1,658,879	(676,641)
	<u>19,315,225</u>	<u>3,508,309</u>
Cash flows from investing activities:		
Disbursements under loan programs	(43,643,846)	(21,659,123)
Collections under loan programs	23,795,299	16,468,378
Proceeds from sale of loans	1,676,080	4,176,314
Purchases of investments	-	(834,533)
Proceeds from disposition of investments	153,418	114,276
Purchases of property and equipment	(143,580)	(135,305)
	<u>(18,162,629)</u>	<u>(1,869,993)</u>
Cash flows from financing activities:		
Change in restricted cash	(528,515)	(170,831)
Proceeds from notes payable and equity equivalents	34,616,181	9,435,256
Repayments of notes payable and equity equivalents	(10,363,064)	(13,660,290)
	<u>23,724,602</u>	<u>(4,395,865)</u>
Net cash provided by investing activities	<u>(18,162,629)</u>	<u>(1,869,993)</u>
Net cash provided by financing activities	<u>23,724,602</u>	<u>(4,395,865)</u>
Net increase (decrease) in cash, all unrestricted	24,877,198	(2,757,549)
Cash at beginning of year	<u>5,328,422</u>	<u>8,085,971</u>
Cash at end of year	<u>\$ 30,205,620</u>	<u>\$ 5,328,422</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 1,235,013</u>	<u>\$ 1,461,460</u>
In-kind donations of occupancy, services, equipment, and interest	<u>\$ 636,399</u>	<u>\$ 1,222,717</u>

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

LIFTFUND INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Program Services	Leasing Activity	Supporting Services		2020 Total	2019
			Management and General	Fundraising		
Personnel costs:						
Salaries and wages	\$ 6,634,433	\$ -	541,154	790,634	\$ 7,966,221	\$ 6,951,651
Payroll taxes	465,039	-	31,263	62,473	558,775	510,909
Employee benefits	684,508	-	127,345	126,641	938,494	835,171
Total personnel costs	7,783,980	-	699,762	979,748	9,463,490	8,297,731
Passthrough grants	64,442,040	-	-	-	64,442,040	-
Loan loss provision	3,829,907	-	-	-	3,829,907	1,866,909
Consultants	1,280,725	-	218,097	308,816	1,807,638	492,747
Interest	1,564,164	43,981	-	-	1,608,145	1,559,697
Program expenses (grant funded)	777,435	-	-	-	777,435	339,185
Telecommunications	703,826	-	973	2,487	707,286	701,841
Professional fees	565,532	5,980	101,102	-	672,614	479,943
In-kind interest	636,399	-	-	-	636,399	1,222,717
Miscellaneous	75,826	269,674	5,943	5,943	357,386	21,928
Occupancy buildings	344,464	-	6,407	6,407	357,278	347,652
Dues and subscriptions	252,663	-	4,081	12,217	268,961	170,633
Advertising	262,992	-	2,693	1,007	266,692	179,749
Portfolio expenses	232,535	-	-	-	232,535	508,097
Equipment rental and maintenance	225,650	-	592	592	226,834	198,188
Insurance	185,167	-	14,972	14,972	215,111	188,578
Service charges and fees	170,468	-	-	3,120	173,588	129,192
Property taxes	131,428	-	7,480	7,480	146,388	129,553
Conferences and meetings	74,467	-	5,679	1,059	81,205	206,263
Office expenses	65,054	-	2,050	4,824	71,928	161,938
Travel	25,629	-	7,372	779	33,780	160,560
Total expenses before depreciation	83,630,351	319,635	1,077,203	1,349,451	86,376,640	17,363,101
Depreciation	248,562	185,423	15,671	15,671	465,327	577,423
Total expenses	\$ 83,878,913	\$ 505,058	1,092,874	1,365,122	\$ 86,841,967	\$ 17,940,524
Percent of total expenses	96.6%	0.6%	1.3%	1.5%	100%	

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

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 1 – The Organization and Summary of Significant Accounting Policies

Organization and Background

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

LiftFund is funded primarily by governmental grants, contributions from banks and foundations, and corporate and individual contributions. Representatives of these banks and other organizations often serve as members of the board of directors. LiftFund is a Texas 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 have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities and objectives specified by donors.

Basis of Consolidation

In 2013, LiftFund formed a controlled subsidiary named ACCION Martin Holdings, Inc., a Texas corporation. ACCION Martin Holdings, Inc. owned and managed LiftFund's Martin Street headquarters under an arrangement qualifying as a New Market Tax Credit (NMTC) investment (see note 13) until it was liquidated on March 29, 2021.

LiftFund is a member of LiftFund Funding, LLC and LiftFund Funding II, LLC, Texas limited liability companies (LLC). The purpose of the two 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 two LLC companies. The other noncontrolling members are nonmanaging members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. The LLC companies have a dissolution date unless the operating agreements are amended to extend the term.

The financial statements of LiftFund, ACCION Martin Holdings, Inc., and the noncontrolling 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.

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in its Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of LiftFund and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of LiftFund's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, 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.

Use of Estimates

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

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Fair Value Measurements

Investments are shown at their estimated fair value in accordance with FASB ASC 820, "Fair Value Measurements and Disclosures". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these financial statements.

Certain items are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These items include cash and cash equivalents, interest and fees receivable, prepaid expenses, accounts payable, accrued expenses, and deferred revenue.

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Restricted Cash

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

Program Accounts Receivable and Grants and Contributions Receivable

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

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Loans Receivable and Allowance for Loan Losses

Loans receivable 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 loan losses is increased by provisions for loan losses charged to operating expenses and reduced by loans charged off. Allowances are determined based on management's evaluation of the loan collateral, historical losses, current and anticipated economic conditions, and other relevant factors. The allowance for loan losses is deemed by management to be adequate to absorb future loan losses. Ultimate losses, however, may vary materially from current estimates at December 31, 2020.

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.

Loans 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.

Property and Equipment

Property and equipment is valued at cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Expenses for repairs that materially extend the useful life of an asset are capitalized at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. LiftFund capitalizes all purchases of property and equipment exceeding \$500.

In-Kind Contributions

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

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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

Income Taxes

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

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

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

Expenses

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

Expenditures benefiting all segments of the organization are allocated to programs in proportion to the benefits received from shared expenditures. Such allocations are determined by management on an equitable basis based on employee time and effort estimates.

New Accounting Pronouncements

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. LiftFund's financial statements reflect the full retrospective application of ASU 2018-08 guidance beginning in fiscal year 2020. The adoption of ASU 2018-08 did not impact LiftFund's reported revenue.

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the LiftFund's financial position or changes in net assets upon adoption of the new standard using the modified retrospective approach.

Reclassifications

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

Summarized Financial Information for 2019

The financial information as of December 31, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Note 2 – Availability and Liquidity

The following represents LiftFund's financial assets and liabilities at December 31, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 30,205,620
Investments	1,412,723
Current portion of loans receivable, net of allowance for loan losses of \$5,056,877	7,297,526
Current portion of grants and contracts receivable, net of allowance for doubtful accounts of \$26,693	7,065,815
Program accounts receivable	1,233,317
Accrued interest receivable	192,557
Total financial assets at year end	<u>47,407,558</u>
Less financial liabilities at year end:	
Program accounts payable and accrued liabilities	(3,436,063)
Current portion of notes payable	<u>(20,955,475)</u>
Total financial liabilities at year end	<u>(24,391,538)</u>
Less net assets with purpose restrictions to be met in more than a year	<u>(225,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 22,791,020</u></u>

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 2 – Availability and Liquidity (Continued)

LiftFund’s goal is generally to maintain financial assets to meet 90 days of operating expenses before passthrough grants and depreciation (approximately \$4.8 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

At December 31, 2020, LiftFund was scheduled to make \$20,955,475 in principal repayments on its outstanding notes payable during 2021. 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 2021.

Note 3 – Loans Receivable

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 and group loans carry a 5.5% to 18% 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 2020, LiftFund disbursed \$43,643,846 in new loans.

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 management 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; however, some short-term loans may be made on an unsecured basis to credit worthy borrowers. 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, 2020 consisted of the following:

Portfolio Makeup	Amount	Amount Guaranteed/ Separate Reserve	Exposed Amount	Loan Loss Reserve on Assessed Risk
SBA 7A Portfolio (LiftFund Portion)	\$ 4,640,427	\$ -	\$ 4,640,427	\$ 312,765
SBA PPP Portfolio	23,946,480	23,946,480	-	-
Goldman Sachs HH Relief	1,623,916	164,020	1,459,896	150,000
Corpus Christi Covid 19	1,182,399	-	1,182,399	236,480
Port of Corpus Christi Covid 19	160,915	-	160,915	24,921
NonGuaranteed Portfolio	33,363,790	-	33,363,790	4,332,711
Total Portfolio	<u>\$ 64,917,927</u>	<u>\$ 24,110,500</u>	<u>\$ 40,807,427</u>	<u>\$ 5,056,877</u>

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 3 – Loans Receivable (Continued)

3,179 loans receivable were outstanding as of December 31, 2020 for a total balance receivable of \$64,917,927, less an allowance for loan losses of \$5,056,877.

Changes in loans receivable during 2020 were as follows:

Balance, December 31, 2019	\$ 48,134,623
New loans	43,643,846
Principal collected on loans	(23,477,836)
Sale of loans	(1,532,904)
Loans written off	<u>(1,849,802)</u>
 Balance, December 31, 2020	 <u><u>\$ 64,917,927</u></u>

At December 31, 2020, LiftFund was scheduled to receive \$12,354,403 in principal repayments on its outstanding loans receivable during 2021.

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 a matter of practice, on a continuing basis, the company assesses its loans receivable portfolio, using its internal credit quality indicators. Management's evaluation of specific types of loans and changes to the required allowance for specific types of loans is based on economic, geographic, and industry type factors, past loan loss experience, and loan quality trends, among other factors. Historical valuation allowances are calculated based on the historical loss experience of specific types of loans and the internal risk grade of such loans at the time they were charged-off. All loans receivable have been assessed and monitored through December 31, 2020.

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

Changes in the allowance for loan losses during 2020 were as follows:

Balance, December 31, 2019	\$ 2,759,309
Loans written off	(1,849,802)
Loan loss accruals	3,829,907
Recoveries	<u>317,463</u>
 Balance, December 31, 2020	 <u><u>\$ 5,056,877</u></u>

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 3 – Loans Receivable (Continued)

The loan delinquency status at December 31, 2020 was as follows:

Current	\$ 62,814,423	96.3%
Past Due		
31-60 days	1,345,193	1.6%
61-90 days	269,553	0.6%
91-120 days	198,396	0.6%
Over 120 days	<u>290,362</u>	<u>0.9%</u>
Subtotal	<u>2,103,504</u>	<u>3.7%</u>
 Total LiftFund portfolio	 <u>\$ 64,917,927</u>	 <u>100%</u>

Loans are considered delinquent if past due over 30 days and delinquent loans over 180 days are charged off.

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 2020, LiftFund participated in the Community Advantage Pilot Program Loan Guaranty Agreement (SBA CA) with the SBA. Under the terms of the SBA CA program, the SBA provides a guaranty under its 7(a) loan program covering risk of loss against approved loans meeting the program requirements. The Guaranty covers 85% of loans with an original balance less than \$150,000 and 75% of loans with an original balance of between \$150,000 and \$250,000. All loans must be approved by the SBA for both credit and eligibility to mitigate the risk of loss. The maximum interest rate allowable under these loans is prime plus 6%. The SBA allows the sale of the guaranteed portion of the loan on the secondary market.

During 2020, LiftFund originated 13 SBA CA loans totaling \$1,901,000 with an SBA guaranteed portion of \$1,529,050. Among other compliance requirements, the SBA CA program requires the establishment of loan reserves equal to at least 5% of the unguaranteed portion of the SBA CA portfolio, as well as 5% of the sold guaranteed portion (up from 3% for loans made prior to October 1, 2019) of the SBA CA portfolio. At December 31, 2020, LiftFund was in compliance with the loan loss reserve requirements.

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 4 - Investments

LiftFund's investments at December 31, 2020 consist of mortgage backed securities totaling \$512,590, Federal Home Loan Bank stock totaling \$66,800, and a programmatic investment in Acceso Loan Fund, LLC totaling \$833,333.

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

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

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

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

LiftFund's investments totaling \$1,412,723 are all considered by management to be Level 2 investments.

Note 5 – Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Land	\$ 1,113,568	\$ 1,113,568
Buildings	8,207,467	8,198,912
Equipment	1,147,239	1,049,530
Software	2,472,365	2,472,365
Vehicles	123,416	162,392
Total cost	13,064,055	12,996,767
Less accumulated depreciation	(5,159,650)	(4,770,615)
Net property and equipment	\$ 7,904,405	\$ 8,226,152

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 5 – Property and Equipment (Continued)

Building improvements totaling \$8,555, equipment totaling \$97,709, and vehicles totaling \$37,316 were placed in service during 2020. Fully depreciated vehicles with an original cost of \$76,292 were sold during 2020 at a gain of \$11,000.

Depreciation expense was \$465,327 for the year ended December 31, 2020.

Note 6 – Notes Payable

Notes payable consist of the following:

<u>Name</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Collateral</u>
Adorers of the Blood of Christ	10/08/2024	2.00%	\$ 50,000	
Adrian Dominican Sisters	08/15/2021	3.00%	100,000	
Affordable Homes of South Texas	10/01/2025	2.75%	500,000	
Aissatou Sidime-Blanton	10/30/2021	2.00%	4,405	
Amegy Bank	07/31/2021	2.75%	50,000	
American Bank, N.A.	12/24/2022	3.00%	100,000	
Anna Brooke Gutzler	01/04/2021	2.00%	5,260	
Appalachian Community Capital	05/10/2023	2.00%	100,000	
Arthur Z. Medina	08/21/2019	2.00%	1,020	
Bank of America	08/03/2023	0.50%	1,200,000	
Basilian Fathers of Toronto	04/01/2021	3.00%	200,000	
Beldon Family Foundation	10/08/2021	2.00%	750,000	
Benjamin Coerver	04/26/2021	2.00%	1,000	
Bonnie Reed	07/05/2023	2.00%	10,664	
Broadway Bank	10/01/2021	3.25%	75,000	
Cadence Bank	09/30/2021	3.25%	289,303	
Capital One	01/01/2021	1.00%	500,000	
Cartlidge Family Trust	07/23/2022	2.00%	50,000	
Central Bank	05/16/2021	3.00%	40,068	
Charles A. Gonzalez	01/01/2021	0.00%	1,000	
City of Corpus Christi	12/31/2025	0.00%	412,000	
City of Corpus Christi	12/31/2025	0.00%	823,500	
CNote Group Inc.	01/22/2021	3.70%	178,615	
CNote Group Inc.	02/06/2021	3.70%	174,554	
CNote Group Inc.	02/15/2021	3.70%	76,958	
CNote Group Inc.	02/28/2021	3.70%	121,573	
CNote Group Inc.	03/09/2021	3.70%	47,218	
CNote Group Inc.	03/09/2021	3.70%	125,091	
CNote Group Inc.	03/16/2021	3.70%	49,310	
CNote Group Inc.	04/15/2021	3.70%	28,026	

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 6 – Notes Payable (Continued)

<u>Name</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2020</u>	<u>Collateral</u>
CNote Group Inc.	04/22/2021	3.70%	252,085	
CNote Group Inc.	05/19/2021	3.70%	62,329	
CNote Group Inc.	06/02/2021	3.70%	70,318	
CNote Group Inc.	06/04/2021	3.70%	500,000	
CNote Group Inc.	06/05/2021	3.70%	9,990	
CNote Group Inc.	06/17/2021	3.70%	95,653	
CNote Group Inc.	07/15/2021	3.70%	101,900	
CNote Group Inc.	07/28/2021	3.70%	200,437	
CNote Group Inc.	08/05/2021	3.70%	55,857	
CNote Group Inc.	09/18/2021	3.70%	26,460	
CNote Group Inc.	10/01/2021	3.70%	141,804	
CNote Group Inc.	10/15/2021	3.70%	115,856	
CNote Group Inc.	10/21/2021	3.70%	195,500	
CNote Group Inc.	11/06/2021	3.70%	250,506	
CNote Group Inc.	11/23/2021	3.70%	99,960	
CNote Group Inc.	12/24/2021	3.70%	5,985	
CNote Group Inc.	12/31/2021	3.70%	87,234	
CNote Group Inc.	01/07/2022	3.70%	110,285	
CNote Group Inc.	01/21/2022	3.70%	127,965	
CNote Group Inc.	04/02/2022	3.70%	120,151	
CNote Group Inc.	05/03/2022	3.70%	17,708	
CNote Group Inc.	07/15/2024	4.50%	150,000	
CNote Group Inc.	09/17/2025	4.50%	6,174	
Credit Human FCU	06/30/2022	1.00%	6,811,822	* 6,811,822
Credit Human FCU	06/30/2022	1.00%	1,596,163	
Cynthia Merla Spielman	05/16/2020	2.00%	1,020	
Daniel Lopez/Gina Amatangelo	12/28/2019	0.00%	6,000	
David Blair	07/01/2021	1.00%	50,000	
Debra Salge	02/22/2020	2.00%	1,061	
Dr. Charles Conlon	01/01/2020	2.00%	25,000	
Dr. Harry J. Shafer	01/01/2021	2.00%	2,122	
East West Bank	08/01/2021	3.00%	500,000	
Edward Banos and Brenda Lanzel	08/13/2021	1.00%	250,000	
Edward R. and Luz Elena Day	10/01/2021	2.00%	3,247	
Edward R. and Luz Elena Day	11/01/2021	2.00%	10,824	
Eliot M. Lee	01/01/2021	2.00%	1,061	
Elizabeth Blissman	03/22/2020	2.00%	20,000	
Ellen Clark	03/08/2021	2.00%	15,615	
Ellen R. Clark	04/30/2021	2.00%	15,607	
Eloise V. Avila	10/30/2021	2.00%	10,709	

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 6 – Notes Payable (Continued)

<u>Name</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Collateral</u>
Farm Bureau Bank	12/30/2022	3.00%	200,000	
Farm Bureau Bank	12/31/2021	3.75%	200,000	
Federal Reserve Bank	12/15/2025	0.35%	19,407,339	* 19,407,339
First Citizens Bank	04/07/2021	3.50%	50,000	
First Citizens Bank	04/07/2021	2.00%	50,000	
First Citizens Bank	06/01/2021	3.50%	50,000	
First National Bank Texas	05/30/2021	3.00%	499,781	
Frost Bank	10/12/2021	2.99%	100,000	
George & Elizabeth Goodwin	11/04/2021	1.00%	10,510	
George B. Hernandez Jr	11/03/2021	2.00%	11,033	
Goldman Sachs	04/13/2022	1.00%	3,097,626	* 3,097,626
Goldman Sachs	06/30/2023	0.00%	1,843,395	* 1,843,395
Greater Atlanta Community Fdn	12/22/2025	0.50%	250,000	
Hancock Whitney Bank	11/09/2022	2.00%	423,300	
Hancock Whitney Bank	08/28/2021	3.00%	100,000	* 100,000
Iberia Bank	10/05/2021	2.75%	114,568	* 114,568
Iberia Bank	10/05/2021	2.75%	231,459	* 231,459
Iberia Bank	10/05/2021	2.75%	215,439	* 215,439
James A. Pittman, Jr.	09/04/2023	2.00%	1,000	
James A. Pittman, Jr.	10/08/2021	2.00%	1,000	
James A. Pittman, Jr.	11/10/2021	2.00%	1,000	
James A. Pittman, Jr.	12/09/2021	2.00%	2,500	
Laura and Sam Dawson	04/06/2020	3.00%	265,015	
Linda Toyota	08/25/2021	2.00%	1,000	
Lissa A. Martinez	06/18/2021	2.00%	100,000	
Lissa A. Martinez	04/03/2023	2.00%	100,000	
Lucas Coerver	04/26/2021	2.00%	7,000	
Lucia Coerver	04/26/2021	2.00%	5,000	
M. Kathryn "Kate" Martin	10/13/2020	2.00%	1,040	
Marcus & Tracie Hervey	03/18/2022	2.00%	1,020	
Maria and Manuel Berriozabal	03/30/2021	2.00%	58,376	
Mary and Bill Regan	12/20/2021	1.00%	2,000	
Mary Esther Escobedo	11/06/2021	2.00%	7,489	
Mary T. Green	01/04/2020	2.00%	1,061	
Michael & Susan Dell Foundation	12/31/2025	2.00%	1,500,000	
Michael Taylor	03/20/2021	2.00%	10,000	
MUFG Union Bank	08/01/2024	3.00%	3,000,000	
NALCAB	06/30/2022	3.00%	203,612	
Nazareth Literary & Benevolent Inst	05/18/2023	0.50%	200,000	
New Mexico Small Business IC	03/27/2025	2.00%	147,621	

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 6 – Notes Payable (Continued)

<u>Name</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2020</u>	<u>Collateral</u>
Norma Gonzales	10/28/2020	2.00%	1,082	
Oblate International Pastoral	11/30/2025	2.50%	1,000,000	
Opportunity Finance Network	03/31/2021	3.00%	1,875,000	
Origin Bank	07/06/2021	2.50%	500,000	
Pete & Andrea Sitterle	12/18/2021	2.00%	26,520	
Pioneer Bank	07/01/2021	3.25%	500,000	
Priti Mody-Bailey	03/06/2020	2.00%	1,000	
Raza Development Fund	12/28/2023	1.67%	301,269	
REAP Green Enterprise	05/31/2021	3.00%	1,000,000	
Redman Foundation	11/18/2022	2.00%	10,000	
Reed Hurley	04/12/2022	2.00%	10,200	
Rhonda Wiley-Jones	05/12/2021	2.00%	3,000	
Rick Schimpff	04/30/2021	1.00%	25,000	
Robert Boehlert	10/05/2021	2.00%	219,350	
Rose Mary Fry	08/01/2021	2.00%	1,061	
Sisters of the Incarnate Word	01/15/2025	2.00%	200,000	
Small Business Administration	09/07/2026	0.00%	1,835,754	* 1,835,754
Small Business Administration	06/15/2027	0.63%	1,349,824	* 1,349,824
Society of the Divine Word	02/26/2021	2.00%	50,000	
Songbae Lee	03/10/2024	1.00%	1,020	
Sustainable Communities Fund	09/06/2025	3.50%	200,000	
Sustainable Communities Fund	09/06/2025	3.50%	200,000	
Sylvia and Arthur C Reyna Jr	10/28/2020	2.00%	1,040	
Tanya Spencer	12/22/2021	2.50%	209,100	
Tanya Spencer	07/07/2021	2.00%	100,000	
Terri & Roger Virost	06/01/2021	1.00%	20,000	
Texas Department of Agriculture	08/31/2029	1.00%	672,342	* 672,342
Texas Women's Foundation	08/01/2023	2.50%	75,000	
Tides Foundation	03/02/2021	0.00%	100,000	
Tolleson Private Bank	05/27/2021	2.00%	50,000	
William Elizondo	10/10/2019	2.00%	1,000	
William G Moll	07/20/2021	2.00%	10,217	
Woodforest National Bank	07/15/2022	3.13%	<u>2,000,000</u>	
			<u>\$63,207,936</u>	

* Collateralized by loans receivable, and bank accounts if the SBA

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 6 – Notes Payable (Continued)

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,	
2021	\$ 20,955,475
2022	23,947,907
2023	2,286,139
2024	4,083,096
2025	8,935,740
Thereafter	2,999,579
	<u>\$ 63,207,936</u>

Note 7 – Equity Equivalents

An equity equivalent is an unsecured general obligation. It is fully subordinated to the right of repayment of all other creditors. The obligation has a rolling term and therefore, an indeterminate maturity. Payment of interest is required quarterly and semi-annually. Interest payments are current at December 31, 2020. Equity equivalents consist of the following loans:

Lender	Interest Rate	Balance 12/31/2020
Bancorp South	3.00%	\$ 1,000,000
Bank SNB	3.00%	500,000
BBVA Compass Bank	2.00%	150,000
BBVA Compass Bank	2.00%	1,000,000
BBVA Compass Bank	2.00%	2,000,000
BBVA Compass Bank	2.00%	1,000,000
CIT Bank	2.00%	250,000
CIT Bank	2.00%	250,000
Hometown Bank	3.00%	250,000
Texas Community Bank	3.00%	500,000
The Bank of San Antonio	2.00%	250,000
Wells Fargo Bank	2.00%	1,000,000
Wells Fargo Bank	2.00%	1,402,500
Total		<u>\$ 9,552,500</u>

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 8 – Restrictions on Net Assets

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

For subsequent years' activities:	
Loan programs	\$ 225,000
Client education and technical assistance	<u>1,022,302</u>
Total net assets with donor restrictions	<u><u>\$ 1,247,302</u></u>

Net assets were released from donor restrictions by meeting the stipulations or time restrictions specified by the donors during 2020 as follows:

Client education and technical assistance	\$ 1,724,833
Debt service payments	20,000
Goldman Sachs Bank required reserves	480,000
ACCION Martin Holdings, Inc. NMTC	<u>757,381</u>
Total net assets released from restrictions	<u><u>\$ 2,982,214</u></u>

Note 9 – Retirement Plan

LiftFund has a defined contribution 401(k) plan covering all employees with at least three months and 390 hours of service. Employees are automatically enrolled to contribute 3% of the employee's salary unless they select a different amount or sign a waiver within 90 days of their enrollment date. Under the plan, LiftFund matches 100% of the employee's contributions up to 3% of the employee's salary, plus 50% of the employee's contributions up to the next 2% of the employee's salary. Total retirement plan expense charged to operations was \$201,010 in 2020.

Note 10 – Passthrough Grants

During 2020, LiftFund received \$62,263,100 of federal CARES Act funding through several cities, counties and municipalities as well as \$2,178,940 of 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. During 2020, Liftfund awarded 2,751 grants to various small businesses throughout the communities served amounting to \$64,442,040 in order to help them maintain their operations during the pandemic.

Note 11 – Operating Leases Commitments

LiftFund leases office space under noncancelable operating leases expiring through April of 2024. LiftFund leases copiers and computer equipment under operating leases expiring through July of 2023. Lease expense charged to operations for the year ended December 31, 2020 was \$571,221.

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 11 – Operating Leases Commitments (Continued)

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2020 are as follows:

Years Ending December 31,	
2021	\$ 516,955
2022	375,887
2023	41,030
2024	6,514
Thereafter	-
	<u>\$ 940,386</u>

Note 12 – Loan Sale Agreements

LiftFund sold the guaranteed portion of 11 SBA 7(a) Community Advantage loans totaling \$1,084,593 as well as 39 nonguaranteed small business loans totaling \$448,311 on the secondary market during 2020 at a combined gain of \$143,176.

Note 13 – New Market Tax Credit Agreement

In 2013, LiftFund and ACCION Martin Holdings, Inc. (AMHI), as a qualified active low-income community business (QALICB), entered into a series of agreements with COCRF Investor 21, LLC, as investor and PeopleFund, as sponsor, to finance the construction of LiftFund's Martin Street headquarters under an arrangement qualifying as a New Market Tax Credit (NMTC) investment. As of December 31, 2013, LiftFund had contributed cash in the amount of \$4,454,220 to COCRF Investor 21, LLC evidenced by a promissory note. COCRF Investor 21, LLC then provided the contributed cash along with an equity investment contribution to PeopleFund, as sponsor, who in turn provided two (2) loans to AMHI. The loans, totaling \$5,978,000 were payable by AMHI to PeopleFund and were secured by a second lien on the Martin Street property and the new headquarters building. The United States Economic Development Administration holds a first lien on the Martin Street property and improvements pursuant to a grant of \$1,315,000 dated April 8, 2011.

On October 1, 2020, the NMTC investor elected to terminate the agreements after completing the compliance period. The \$4,454,220 LiftFund note receivable and \$5,978,000 AMHI note payable were written off, and the resulting net combined \$1,523,780 gain was recognized as cancellation of debt income.

Note 14 – Concentrations of Credit Risk

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

LIFTFUND INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 14 – Concentrations of Credit Risk (Continued)

Financial instruments that potentially subject the organization to concentrations of credit risk consist of cash and equivalents, notes payable, and revenue from government grants and contracts.

LiftFund maintains cash accounts in various financial institutions. Balances are insured up to \$250,000. At December 31, 2020 the cash balances in excess of FDIC limits approximated \$32,950,045.

At December 31, 2020, LiftFund was scheduled to make \$20,955,475 in principal repayments on its outstanding notes payable during 2021. 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 2021.

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

Note 15 – 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 16 – Evaluation of Subsequent Events

LiftFund adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855), as of January 1, 2009. ASC 855 established new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through May 21, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LIFTFUND INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	Assets				Total
	Lifffund Inc.	ACCION Martin Holdings, Inc.	Funding LLC Companies	Intercompany Eliminations	
Cash and cash equivalents	\$ 30,082,825	\$ 114,696	\$ 8,099	\$ -	\$ 30,205,620
Cash, restricted	5,297,412	-	-	-	5,297,412
Investments	1,412,723	-	-	-	1,412,723
Receivables:					
Loans receivable, net of allowance for loan losses of \$5,056,877 in 2020	59,861,050	-	4,250,000	(4,250,000)	59,861,050
Grants and contributions receivable, net of allowance for doubtful accounts of \$26,693 in 2020	7,680,815	-	-	-	7,680,815
Program accounts receivable	1,233,317	113,833	108,650	(222,483)	1,233,317
Accrued interest receivable	192,557	-	-	-	192,557
Prepaid expenses and other assets	324,607	-	-	-	324,607
Recovered asset inventory	11,000	-	-	-	11,000
Property and equipment, net of accumulated depreciation of \$5,159,650 in 2020	1,856,739	6,047,666	-	-	7,904,405
Total assets	\$ 107,953,045	\$ 6,276,195	\$ 4,366,749	\$ (4,472,483)	\$ 114,123,506
	Liabilities and Net Assets				
	Lifffund Inc.	ACCION Martin Holdings, Inc.	Funding LLC Companies	Intercompany Eliminations	Total
Liabilities:					
Accounts payable	\$ 623,463	\$ -	\$ -	\$ (222,483)	\$ 400,980
Accrued liabilities	2,918,208	-	116,875	-	3,035,083
Deferred revenue	2,476,843	-	-	-	2,476,843
Notes payable	67,457,936	-	-	(4,250,000)	63,207,936
Equity equivalents	9,552,500	-	-	-	9,552,500
Total liabilities	83,028,950	-	116,875	(4,472,483)	78,673,342
Commitments and contingencies					
Net assets:					
Without donor restrictions					
Unrestricted	23,676,793	6,276,195	-	-	29,952,988
Noncontrolling interest in LLC company	-	-	4,249,874	-	4,249,874
With donor restrictions	1,247,302	-	-	-	1,247,302
Total net assets	24,924,095	6,276,195	4,249,874	-	35,450,164
Total liabilities and net assets	\$ 107,953,045	\$ 6,276,195	\$ 4,366,749	\$ (4,472,483)	\$ 114,123,506

See independent auditor's report

LIFTFUND INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Liftfund Inc.	ACCION Martin Holdings, Inc.	Funding LLC Companies	Intercompany Eliminations	Total
Revenue and support:					
Public support:					
Governmental support	\$ 11,451,085	\$ -	\$ -	\$ -	\$ 11,451,085
Governmental passthrough grants	64,442,040	-	-	-	64,442,040
Grants and contributions	16,704,882	-	-	-	16,704,882
Notes payable forgiven	(4,454,220)	5,978,000	-	-	1,523,780
In-kind contributions	636,399	-	-	-	636,399
Revenue:					
Loan interest and fees	6,022,535	-	10,625	(10,625)	6,022,535
SBA 504 revenue	1,988,028	-	-	-	1,988,028
Gain on sale of loans	143,176	-	-	-	143,176
Portfolio management services	162,362	-	-	-	162,362
Office space rental revenue	103,431	45,750	-	(45,750)	103,431
Interest	27,728	122	-	-	27,850
Miscellaneous revenue	41,346	-	-	-	41,346
Total revenue and support	97,268,792	6,023,872	10,625	(56,375)	103,246,914
Expenses:					
Program services:					
Lending	19,482,366	-	10,882	(56,375)	19,436,873
Passthrough grants	64,442,040	-	-	-	64,442,040
Leasing activity	-	505,058	-	-	505,058
Management and general	1,092,874	-	-	-	1,092,874
Fundraising	1,365,122	-	-	-	1,365,122
Total expenses	86,382,402	505,058	10,882	(56,375)	86,841,967
Change in net assets before noncontrolling interest in LLC	10,886,390	5,518,814	(257)	-	16,404,947
Change in net assets from noncontrolling interest in LLC					
Capital contributions	-	-	-	-	-
Gain on LLC activity	-	-	116,875	-	116,875
Distributions	-	-	(116,875)	-	(116,875)
Total change in net assets from noncontrolling interest in LLC	-	-	-	-	-
Change in net assets	10,886,390	5,518,814	(257)	-	16,404,947
Net assets at beginning of year	14,037,705	757,381	4,250,131	-	19,045,217
Net assets at end of year	\$ 24,924,095	\$ 6,276,195	\$ 4,249,874	\$ -	\$ 35,450,164

See independent auditor's report

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

WEST, DAVIS & COMPANY, LLP

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of LiftFund Inc. (LiftFund), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 21, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

West, Davis & Company, LLP

Certified Public Accountants

Austin, Texas

May 21, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited LiftFund Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LiftFund's major federal programs for the year ended December 31, 2020. LiftFund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, LiftFund Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

West, Davis & Company, LLP

Certified Public Accountants

Austin, Texas

May 21, 2021

LIFTFUND INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of the Treasury:		
COVID-19 Coronavirus Relief Fund:		
Passed through Bexar County, Texas	21.019	\$ 17,558,000
Passed through the City of San Antonio, Texas	21.019	31,930,300
Passed through the City of Laredo, Texas	21.019	1,937,000
Passed through the City of Pearland, Texas	21.019	864,000
Passed through the City of Socorro, Texas	21.019	350,000
Passed through the City of El Paso, Texas	21.019	9,023,800
Passed through El Paso, County, Texas	21.019	600,000
Total COVID-19 Coronavirus Relief Fund		<u>62,263,100</u>
Community Development Financial Institutions Fund:		
CDFI Financial Assistance - Grant	21.020	794,500
Total U.S. Department of the Treasury		<u>63,057,600</u>
U.S. Small Business Administration:		
Microloan Program:		
Microloan Demonstration Program - Loans	59.046	3,534,195
Microloan Demonstration Program - Technical Assistance Grant	59.046	956,819
Total Microloan Program		<u>4,491,014</u>
7(a) Loan Guarantees	59.012	1,529,050
Women's Business Ownership Assistance	59.043	679,778
Veterans Business Development	59.044	85,480
Total Small Business Administration		<u>6,785,322</u>
U.S. Economic Development Administration		
Economic Adjustment Assistance - Grant	11.307	382,512
Economic Adjustment Assistance - Loans	11.307	6,335,502
Total U.S. Economic Development Administration		<u>6,718,014</u>
Total Federal Expenditures		<u><u>\$ 76,560,936</u></u>

See accompanying notes to schedule of expenditures of federal awards.

LIFTFUND INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

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

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

3. Nonmonetary Assistance

LiftFund neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended December 31, 2020.

4. Loans and Loan Guarantees Outstanding

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

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

LIFTFUND INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED DECEMBER 31, 2020**

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

	59.012	59.046
Value of new loans made	\$ -	\$ -
Value of new loan guarantees made	1,529,050	-
Loan balance, beginning of the year	-	3,534,195
Total expenditures of federal awards presented for loan and loan guarantee programs	<u>1,529,050</u>	<u>3,534,195</u>
Balance of loans and loan guarantees at December 31, 2020	<u>\$ -</u>	<u>\$ 3,185,579</u>

During 2020, LiftFund issued 13 loans with a face value \$1,901,000 under the U.S. Small Business Administration Community Advantage Pilot 7(a) Loan Guarantee Program (SBA CAP). Loan guarantees were provided under the SBA CAP for either 75% or 85% of the original loan balance, or \$1,529,050.

During the year ended December 31, 2020, LiftFund received no insurance, no other loans or loan guarantees, and no other federal assistance for the purpose of administering federal programs.

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

The 2020 Office of Management and Budget (OMB) Compliance Supplement section 4-11.300 provides a formula to determine the amount to be presented on the schedule of expenditures of federal awards for revolving loan fund (RLF) grants under federal CFDA 11.307. The formula to determine expenditures to be reported in the Schedule is as follows:

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

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

Balance of RLF loans outstanding at December 31, 2020	\$ 3,810,632
Cash balance in RLF at December 31, 2020	2,433,340
Administrative expenses paid out of the RLF in 2020	91,530
Unpaid principal of all RLF loans written off during the year	-
Total RLF expenditures	<u>\$ 6,335,502</u>

LIFTFUND INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section 1 - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

- 21.019 - U.S. Department of the Treasury COVID-19 Coronavirus Relief Fund
 - 21.020 - U.S. Department of the Treasury Community Development Financial Institutions Program
 - 59.046 - Small Business Administration Microloan Program
1. Dollar threshold used to distinguish between Type A and Type B programs - **\$2,296,828.**
 2. Is the auditee qualified as a low-risk auditee under the Uniform Guidance - Yes

Section 2 - Financial Statement Findings - None

Section 3 - Federal Award Findings and Questioned Costs - None

Section 4 - Prior Year Audit Findings - None