

LIFTFUND INC.

Consolidated Financial Statements

December 31, 2024
with summarized comparative totals for 2023



LiftFund Inc.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of LiftFund Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2024, 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, 2024, 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 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 consolidated financial statements.

Independent Auditor's Report (Continued)

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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LiftFund Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on 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 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 17, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Independent Auditor's Report (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report 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.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

March 28, 2025

Consolidated Financial Statements

LiftFund Inc.**Consolidated Statements of Financial Position
December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 9,084,876	\$ 19,225,485
Investments	9,867,647	8,960,762
Receivables:		
Current Portion of Loans Receivable, Net of Allowance for Credit Losses of \$1,961,792 in 2024 and \$1,076,481 in 2023	17,548,371	11,688,978
Current Portion of Grants and Contributions Receivable, Net of Allowance for Doubtful Accounts of \$7,676 in 2024 and \$25,000 in 2023	6,706,732	1,535,852
Current Portion of Program Accounts Receivable	398,775	199,191
Accrued Interest Receivable	569,660	410,280
Prepaid Expenses and Other Assets	358,093	515,371
Total Current Assets	44,534,154	42,535,919
Cash and Cash Equivalents, Reserved	4,742,800	3,750,124
Receivables:		
Loans Receivable, Net of Allowance for Credit Losses of \$4,220,392 in 2024 and \$3,816,614 in 2023, Less Current Portion	43,933,884	42,271,628
Grants and Contributions Receivable, Less Current Portion	-	-
Program Accounts Receivable, Less Current Portion	1,935,765	1,501,527
Property and Equipment, Net of Accumulated Depreciation of \$4,372,862 in 2024 and \$6,666,727 in 2023	7,834,937	8,004,693
Total Assets	\$ 102,981,540	\$ 98,063,891
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 1,662,007	\$ 523,706
Accrued Liabilities	2,777,734	1,292,511
Deferred Revenue	1,574,667	1,244,056
Passthrough Grants Payable	561,000	669,641
Notes Payable, Current Portion	11,027,635	6,593,857
Total Current Liabilities	17,603,043	10,323,771
Accrued Liabilities	305,534	256,860
Deferred Revenue	1,032,607	813,855
Notes Payable, Less Current Portion	34,865,984	31,570,064
Equity Equivalents	10,000,000	10,000,000
Total Liabilities	63,807,168	52,964,550
Net Assets:		
Without Donor Restrictions		
Unrestricted	32,862,102	37,543,258
Noncontrolling Interest in LLC Companies	6,272,282	7,291,095
With Donor Restrictions	39,988	264,988
Total Net Assets	39,174,372	45,099,341
Total Liabilities and Net Assets	\$ 102,981,540	\$ 98,063,891

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

LiftFund Inc.

Consolidated Statement of Activities

Year Ended December 31, 2024 (with Comparative Totals for the Year Ended December 31, 2023)

	2024		Totals	2023 Totals
	Without Donor Restrictions	With Donor Restrictions		
Support and Revenues				
<i>Support:</i>				
Governmental Support	\$ 701,372	\$ -	\$ 701,372	\$ 7,170,478
Governmental Passthrough Grants	2,730,366	-	2,730,366	17,311,324
Grants and Contributions	2,318,568	-	2,318,568	2,963,930
Contributed Nonfinancial Assets	2,349,376	-	2,349,376	1,737,121
<i>Revenues:</i>				
Loan Interest and Fees	9,891,782	-	9,891,782	7,747,210
SBA 504 Revenue	3,022,703	-	3,022,703	2,547,914
Gain on Sale of Loans	505,030	-	505,030	586,848
Portfolio Management Services	152,551	-	152,551	131,988
Office Space Rental Revenue	28,230	-	28,230	31,260
Interest and Investment Income	465,161	-	465,161	335,049
Miscellaneous Income	17,376	-	17,376	-
Total Support and Revenues	22,182,515	-	22,182,515	40,563,122
Net Assets Released from Restrictions	225,000	(225,000)	-	-
Total Support and Revenues	22,407,515	(225,000)	22,182,515	40,563,122
Expenses				
<i>Program Services:</i>				
Lending	21,759,829	-	21,759,829	19,289,004
Passthrough Grants	2,730,366	-	2,730,366	17,311,324
<i>Support Services:</i>				
Management and General	1,150,859	-	1,150,859	2,032,789
Fundraising	1,466,430	-	1,466,430	1,474,165
Total Expenses	27,107,484	-	27,107,484	40,107,282
Change in Net Assets Before Noncontrolling Interest in LLC Companies	(4,699,969)	(225,000)	(4,924,969)	455,840
Change in Net Assets from Noncontrolling Interest in LLC Companies	(1,000,000)	-	(1,000,000)	1,750,000
Change in Net Assets	(5,699,969)	(225,000)	(5,924,969)	2,205,840
Net Assets at Beginning of Year	44,834,353	264,988	45,099,341	42,893,501
Net Assets at End of Year	\$ 39,134,384	\$ 39,988	\$ 39,174,372	\$ 45,099,341

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

LiftFund Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2024 (with Comparative Totals for the Year Ended December 31, 2023)

	Program Services	Support Services		2024 Total	2023 Totals
		Management and General	Fundraising		
Personnel Costs:					
Salaries and Wages	\$ 7,113,625	\$ 687,006	\$ 847,656	\$ 8,648,287	\$ 9,033,600
Payroll Taxes	564,173	55,957	68,156	688,286	689,740
Employee Benefits	889,655	101,015	88,455	1,079,125	1,397,706
Total Personnel Costs	8,567,453	843,978	1,004,267	10,415,698	11,121,046
Governmental Passthrough Grants	2,730,366	-	-	2,730,366	17,311,324
Consultants	805,640	37,570	30,390	873,600	938,421
Interest	1,479,073	-	-	1,479,073	1,118,652
Technology Expenses	1,222,476	100,674	115,056	1,438,206	1,378,078
Program Expenses (Grant Funded)	30,110	-	-	30,110	393,723
Portfolio Expenses	766,707	-	-	766,707	1,198,399
Professional Fees	437,738	24,444	4,821	467,003	392,648
Contributed Nonfinancial Assets	2,349,376	-	-	2,349,376	1,737,121
Loan Credit Loss	3,917,674	-	-	3,917,674	2,192,956
Occupancy Buildings	234,508	19,312	22,071	275,891	269,511
Dues and Subscriptions	102,938	8,477	9,688	121,103	205,526
Insurance	198,757	16,368	18,707	233,832	271,932
Equipment Rental and Maintenance	35,875	2,955	3,377	42,207	47,412
Advertising	343,242	-	147,104	490,346	390,161
Service Charges and Fees	89,429	-	-	89,429	-
Property Taxes	68,456	5,638	6,443	80,537	153,682
Office Expenses	88,863	7,318	8,364	104,545	77,179
Conferences and Meetings	191,900	15,804	18,061	225,765	137,154
Miscellaneous	-	-	-	-	202
Travel	104,623	8,616	9,847	123,086	174,736
Total expenses before Depreciation	23,765,204	1,091,154	1,398,196	26,254,554	39,509,863
Depreciation	724,991	59,705	68,234	852,930	597,419
Total Expenses	\$ 24,490,195	\$ 1,150,859	\$ 1,466,430	\$ 27,107,484	\$ 40,107,282

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

LiftFund Inc.**Consolidated Statements of Cash Flows**
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (5,924,969)	\$ 2,205,840
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Sale of Loans	(505,030)	(586,848)
Provision for Credit Losses	3,917,674	2,192,956
Depreciation	852,930	597,419
Gain on Disposal of Asset	(11,850)	(1,000)
Unrealized Gain (Loss) on Investments	8,472	(283,423)
Realized Loss on Investments	14,704	84,326
(Increase) Decrease in:		
Grants and Contributions Receivable	(5,170,880)	1,729,926
Program Accounts Receivable	(633,822)	(582,858)
Accrued Interest Receivable	(159,380)	(128,567)
Prepaid Expenses and Other Assets	157,278	(134,913)
Increase (Decrease) in:		
Accounts Payable	1,138,301	(891,782)
Accrued Liabilities	1,533,897	(124,587)
Deferred Revenue	549,363	106,307
Passthrough Grants Payable	(108,641)	(1,024,135)
Net Cash Provided (Used) by Operating Activities	<u>(4,341,953)</u>	<u>3,158,661</u>
Cash Flows From Investing Activities:		
Disbursements Under Loan Programs	(33,324,139)	(30,207,039)
Collections Under Loan Programs	16,923,708	15,197,736
Proceeds from Sale of Loans	5,466,138	11,722,502
Purchases of Investments	7,475,246	(15,104,795)
Proceeds from Sale of Investments	(8,026,627)	16,591,293
Reinvestment of Income from Investment Dividends and Interest	(378,680)	(294,963)
Purchase of Property and Equipment	(1,955,210)	(762,155)
Proceeds from Building Settlement	1,283,886	-
Net Cash Used by Investing Activities	<u>(12,535,678)</u>	<u>(2,857,421)</u>
Cash Flows From Financing Activities:		
Change in Reserved Cash	(992,676)	214,123
Proceeds from Notes Payable and Equity Equivalents	10,669,596	20,115,625
Repayments of Notes Payable and Equity Equivalents	(2,939,898)	(7,046,700)
Net Cash Provided by Financing Activities	<u>6,737,022</u>	<u>13,283,048</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,140,609)	13,584,288
Cash and Cash Equivalents, Beginning of Year	19,225,485	5,641,197
Cash and Cash Equivalents, End of Year	\$ <u>9,084,876</u>	\$ <u>19,225,485</u>
Supplementary Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ <u>1,420,952</u>	\$ <u>1,136,036</u>

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

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

Note A: The Organization and Summary of Significant Accounting Policies

LiftFund Inc. (LiftFund) is dedicated to fostering economic growth and supporting efforts to alleviate poverty by providing credit and other essential services to small businesses that typically lack access to commercial business financing. Its mission is to transform lives by offering financial resources and support services designed to promote economic empowerment and uplift entrepreneurs, small businesses, their neighbors, and surrounding communities. Through its loans and services, LiftFund helps entrepreneurs strengthen their businesses, stabilize and increase their income, create jobs, and contribute to the economic revitalization of their communities.

LiftFund is primarily funded through contributions from banks, foundations, municipalities, as well as corporate and individual donations. Representatives from these banks and organizations often serve on the board of directors. LiftFund was established as a nonprofit corporation in Texas in 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 consolidated 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 III, LLC, LiftFund Funding IV, LLC and LiftFund Funding V, LLC, and LiftFund Funding VI, LLC, which are Texas limited liability companies (LLC). LiftFund Funding II, LLC was dissolved and LiftFund Funding VI, LLC was formed during 2024. The purpose of these LLC companies is to further the mission of LiftFund by the formation of capital to be deployed by LiftFund. LiftFund is the managing member with a voting interest of fifty-one percent (51%) of the four LLC companies. The other noncontrolling members are non-managing members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. The LLC companies have a dissolution date unless the operating agreements are amended to extend the term.

The financial statements of LiftFund and the noncontrolling interests in the LLC companies are presented in the financial statements on a consolidated basis. Inter-organization transactions and balances have been eliminated for financial statement purposes.

Basis of Presentation

The accompanying consolidated 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.

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.

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.

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

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.

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, 2024.

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.

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
Years Ended December 31, 2024 and 2023

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

Investments

Investments are carried at fair value based on quoted market prices for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or fair value. Cost is determined by historical purchase price or, in the case of any donated investments, the fair market value of those investments at the date of the gift.

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.
- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Fair Value of Financial Instruments

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

Prepaid Expenses

Expenses recorded in advance of the service or product being received are deferred and carried on the Consolidated Statements of Financial Position as prepaid expenses.

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.

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

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

Deferred Revenue

Deferred revenue in the Consolidated Statements of Financial Position consist of funding received in advance of services performed. LiftFund recognizes revenue upon delivery of services.

Leases

LiftFund assesses whether an arrangement qualifies as a lease under ASC 842 (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 Consolidated Statements 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. Refer to **Note K**.

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.

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.

Advertising Expenses

Advertising costs are expenses as incurred. LiftFund uses advertising to further our mission by reaching potential borrowers, investors, and donors, as well as raising awareness of the specific programs we've launched. Advertising expenses for the years ended December 31, 2024 and 2023 were **\$490,346** and \$390,161, respectively.

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, 2024 and 2023.

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

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

Recently Issued Accounting Pronouncements

Adopted During 2023

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective for fiscal years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2022. Under this new pronouncement, LiftFund will measure credit losses for most financial assets and certain other instruments through the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing the LiftFund's exposure to credit risk and the measurement of credit losses. Refer to **Note C**.

Reclassification

Certain items presented in the 2023 summarized comparative information have been reclassified to conform to the 2024 consolidated financial statement presentation.

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, 2023, from which the summarized information was derived.

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

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>2024</u>	<u>2023</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 9,084,876	\$ 19,225,485
Cash and Cash Equivalents, Reserved	4,742,800	3,750,124
Investments	9,867,647	8,960,762
Current Portion of Loans Receivable	19,510,163 *	12,765,459 *
Current Portion of Grants and Contributions Receivable	6,714,408 **	1,560,852 **
Current Portion of Program Accounts Receivable	398,775	199,191
Accrued Interest Receivable	569,660	410,280
	<u>50,888,329</u>	<u>46,872,153</u>
Less those unavailable for general expenditures over the next twelve months:		
Net Assets - Donor Restricted	39,988	264,988
Cash and Cash Equivalents, Reserved	4,742,800	3,750,124
Debt Service Principal Payments due within one year	11,027,635	6,593,857
Net Assets - Donor Restricted expected to be released within one year	-	(39,988)
	<u>15,810,423</u>	<u>10,568,981</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 35,077,906</u>	<u>\$ 36,303,172</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. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

At December 31, 2024 and 2023, LiftFund was scheduled to make **\$11,027,635** and \$6,593,857 in principal repayments on its outstanding notes payable and lines of credit during 2025 and 2024, 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 2025.

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. 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 2024 and 2023, LiftFund disbursed **\$33,324,139** and \$30,207,039 in new loans, respectively.

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

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 and loan loss reserves at December 31, 2024 consisted of the following:

<u>Portfolio Makeup</u>	<u>Portfolio Amount</u>	<u>Loan Loss Reserve</u>
SBA 7A Portfolio (LiftFund Portion)	\$ 7,565,608	\$ 472,851
SBA PPP Portfolio	9,371	-
Corpus Christi Covid 19	3,121	624
Port of Corpus Christi Covid 19	15,231	3,046
USAA Resiliency Fund	645,801	159,824
NonGuaranteed Portfolio	<u>59,425,307</u>	<u>5,545,839</u>
Total Portfolio	\$ <u>67,664,439</u>	\$ <u>6,182,184</u>

Loans receivable and loan loss reserves at December 31, 2023 consisted of the following:

<u>Portfolio Makeup</u>	<u>Portfolio Amount</u>	<u>Loan Loss Reserve</u>
SBA 7A Portfolio (LiftFund Portion)	\$ 8,296,042	\$ 518,503
SBA PPP Portfolio	16,299	-
Corpus Christi Covid 19	5,951	1,190
Port of Corpus Christi Covid 19	18,790	3,758
USAA Resiliency Fund	935,404	187,081
NonGuaranteed Portfolio	<u>49,581,215</u>	<u>4,182,563</u>
Total Portfolio	\$ <u>58,853,701</u>	\$ <u>4,893,095</u>

As of December 31, 2024 and 2023, loans receivable outstanding consisted of **2,608** and 2,152 loans, respectively, for a total balance receivable of **\$67,664,439** and \$58,853,701, respectively.

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

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

Changes in loans receivable during 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Loans Receivable Balance - Beginning	\$ 58,853,701	\$ 57,095,427
New Loans	33,324,139	30,207,039
Principal Collected on Loans	(16,923,708)	(15,197,736)
Sale of Loans	(4,961,108)	(11,135,653)
Loans Written Off	<u>(2,628,585)</u>	<u>(2,115,376)</u>
Loans Receivable Balance - Ending	<u>\$ 67,664,439</u>	<u>\$ 58,853,701</u>

At December 31, 2024 and 2023, LiftFund was scheduled to receive **\$19,510,163** and \$12,765,459, without credit loss reserve, in principal repayments on its outstanding loans receivable during 2025 and 2024, 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, LiftFund's policies and procedures related to accounting for credit losses changed on January 1, 2023 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 the Consolidated Statements of Financial Position. 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 6,953 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
Years Ended December 31, 2024 and 2023

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	2024		2023	
	Portfolio Amount	% of Portfolio	Portfolio Amount	% of Portfolio
A	\$ 57,122,220	84.42%	\$ 51,599,610	87.67%
B	2,127,952	3.14%	1,212,586	2.06%
C	1,003,619	1.48%	836,730	1.42%
D	6,711,617	9.92%	4,190,240	7.12%
Exempt	699,031	1.03%	1,014,535	1.72%
Total Loans Receivable	\$ <u>67,664,439</u>	100.00%	\$ <u>58,853,701</u>	100.00%

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 2024 and 2023 were as follows:

	2024	2023
Allowance Balance - Beginning	\$ 4,893,095	\$ 4,815,514
Loans Written Off	(2,808,110)	(2,266,651)
Credit Loss Accruals	3,917,674	2,192,956
Recoveries	179,525	151,276
Allowance Balance - Ending	\$ <u>6,182,184</u>	\$ <u>4,893,095</u>

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

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

The loan delinquency status at December 31, 2024 and 2023 was as follows:

	2024		2023	
	Portfolio Amount	% of Portfolio	Portfolio Amount	% of Portfolio
Current	\$ 64,628,116	95.51%	\$ 56,126,801	95.37%
Past Due				
31-60 days	1,042,786	1.54%	1,521,115	2.58%
61-90 days	335,350	0.50%	231,423	0.39%
91-120 days	501,682	0.74%	578,295	0.98%
Over 120 days	1,156,505	1.71%	396,067	0.67%
Subtotal	3,036,323	4.49%	2,726,900	4.63%
Total LiftFund portfolio	\$ 67,664,439	100.00%	\$ 58,853,701	100.00%

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 **\$98,110** and \$31,425 as of December 31, 2024 and 2023, 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 2024 and 2023, 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 guaranty allowances:

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

As of the years ended December 31, 2024 and 2023, LiftFund had originated **38** and 49 SBA CA loans totaling **\$5,546,000** and \$6,870,463 with an SBA guaranteed portion of **\$4,347,700** and \$5,484,067, 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, 2024 and 2023, management determined that they were in compliance with the credit loss reserve requirements.

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

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, 2024:

	Fair Value				Carrying Value
	2024				
	Level 1	Level 2	Level 3	Total	
Cash and Equivalents	\$ 2,021,034	\$ -	\$ -	\$ 2,021,034	\$ 2,021,034
Fixed Income	-	6,761,842	-	6,761,842	6,761,842
Mortgage-backed Security	-	187,979	-	187,979	187,979
Other	-	896,792	-	896,792	896,792
Total Investments at Fair Value	\$ 2,021,034	\$ 7,846,613	\$ -	\$ 9,867,647	\$ 9,867,647

The following table sets forth by level, within the fair value hierarchy, LiftFund's assets at fair value as of December 31, 2023:

	Fair Value				Carrying Value
	2023				
	Level 1	Level 2	Level 3	Total	
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
Total Investments at Fair Value	\$ 7,833,428	\$ 1,127,334	\$ -	\$ 8,960,762	\$ 8,960,762

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

Note D: Investments (Continued)

Interest and Investment income consisted of the following for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and Dividends	\$ 378,680	\$ 294,963
Interest from Banks	101,185	124,412
Realized Loss on Investments	<u>(14,704)</u>	<u>(84,326)</u>
Total Interest and Investment Income	<u>\$ 465,161</u>	<u>\$ 335,049</u>

Note E: Property and Equipment

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

	<u>2024</u>	<u>2023</u>
Land	\$ 1,150,000	\$ 1,150,000
Buildings	8,385,141	8,402,966
Furniture & Equipment	42,051	100,262
IT Equipment & Software	2,193,331	4,903,726
Vehicles	<u>16,700</u>	<u>114,466</u>
Total Property and Equipment	<u>11,787,223</u>	<u>14,671,420</u>
Less: Accumulated Depreciation	<u>(3,952,286)</u>	<u>(6,666,727)</u>
Total Property and Equipment, Net	<u>\$ 7,834,937</u>	<u>\$ 8,004,693</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was **\$852,930** and \$597,419, respectively. During the year ended December 31, 2024, LiftFund retired fixed assets with an acquisition cost of \$3,063,397 at the end of their useful life and no longer in use. As the net book value was \$0, there was no gain or loss on the disposal.

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

Note F: Long-Term Debt and Equity Equivalent Investments (EQ2 Notes)

Notes Payable

For notes payable with a maturity date of 2024 or prior, LiftFund is expected to extend the terms or make a principal paydown in 2025. Notes payable as of December 31, 2024 consist of the following:

Notes payable to various individuals with interest rates between 1.0 percent and 3.0 percent with various payment terms. Full principal amounts are due at maturity, which vary through 2028.	\$ 590,478
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 2034.	18,770,465
Notes payable to various banks with interest rates between 2.0 percent and 8.0 percent with various payment terms. Full principal amounts due at maturity, which vary through 2034.	19,825,269
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>5,167,743</u>
	Notes Payable 44,353,955
	Unsecured Lines-of-Credit (Refer to Note G) <u>1,539,664</u>
	Total Long-Term Debt \$ <u>45,893,619</u>

For notes payable with a maturity date of 2023 or prior, LiftFund is expected to extend the terms or make a principal paydown in 2024. Notes payable as of December 31, 2023 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.	17,623,269
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>
	Notes Payable 36,074,472
	Unsecured Lines-of-Credit (Refer to Note G) <u>2,089,449</u>
	Total Long-Term Debt \$ <u>38,163,921</u>

LiftFund Inc.

Notes to Consolidated Financial Statements
 Years Ended December 31, 2024 and 2023

Note F: Long-Term Debt and Equity Equivalent Investments (EQ2 Notes) (Continued)**Notes Payable (Continued)**

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,	
2025	\$ 9,487,971
2026	5,424,765
2027	845,800
2028	6,137,187
2029	5,210,905
Thereafter	<u>17,247,327</u>
	\$ <u>44,353,955</u>

Equity Equivalent Investments (EQ2 Notes)

The EQ2 Notes program was created by the U.S. Department of the Treasury's CDFI Fund. The program is a type of long-term, low-interest debt investment that acts like equity in the CDFI. Funds raised through the EQ2 program have been used to provide capital to small businesses located in designated opportunity zones. These loans are critical for fostering local economic growth and supporting entrepreneurs. LiftFund shows EQ2 Notes under Liabilities (non-current) on the Consolidated Statements of Financial Position in order to represent more clearly the nature of the payable and to adhere to industry practices. The EQ2 is defined by having six attributes as follows (1) the EQ2 investment is carried as an investment on the investor's balance sheet in accordance with GAAP; (2) the EQ2 investment is a general obligation of LiftFund that is not secured by any of LiftFund's assets; (3) the EQ2 investment is fully subordinated to the right of repayment of all LiftFund's other creditors; (4) the EQ2 investment does not give the investor the right to accelerate payment unless LiftFund ceases its normal operations; (5) the EQ2 investment carries an interest rate that is not tied to any income received by LiftFund; and (6) the EQ2 investment has a rolling term, and therefore, an indeterminate maturity (also known as an evergreen provision). Payment of interest is required quarterly and semi-annually. Interest payments are current at December 31, 2024 and 2023. Equity equivalents consist of the following loans:

<u>Name</u>	<u>Maturity Date</u>	<u>Balance</u> <u>12/31/2024</u>
BANCORPSOUTH	07/31/2025	\$ 1,000,000
BANKUNITED	12/15/2025	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	12/31/2029	250,000
WELLS FARGO BANK	12/01/2035	<u>2,500,000</u>
		\$ <u>10,000,000</u>

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

Note G: Unsecured Lines of Credit

LiftFund has unsecured lines-of-credit with financial institutions as follows:

Financial Institution	Limit	Interest Rate	Maturity Date	Restrictive Covenants	Balance 12/31/2024	Balance 12/31/2023
Amegy Bank	400,000	Prime less 2.5%	07/30/2024 (not renewed)	Yes	\$ -	\$ 49,785
Broadway Bank	375,000	Prime	05/15/2025	Yes	375,000	375,000
Broadway Bank	75,000	Prime	05/15/2025	Yes	75,000	75,000
Broadway Bank	75,000	Prime	05/15/2025	Yes	-	-
Capital One	500,000	2.25%	4/1/2024 (not renewed)	Yes	-	500,000
Frost	1,000,000	Prime	11/11/2025	Yes	89,664	89,664
Hancock Whitney Bank	1,000,000	5.00%	10/31/2025	Yes	1,000,000	1,000,000
Moodys Bank Comal County	250,000	5.00%	04/23/2026	Yes	-	-
Moodys Bank Travis County	500,000	5.00%	04/23/2026	Yes	-	-
	4,175,000				\$ 1,539,664	\$ 2,089,449

LiftFund is in compliance with all restrictive covenants on the unsecured lines-of-credit or received waivers where applicable. The balance of the unsecured lines-of-credit for the years ended December 31, 2024 and 2023 is included in Notes Payable on the Consolidated Statement of Financial Position.

Note H: Net Assets

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

	2024	2023
For subsequent years' activities:		
Loan programs	\$ 39,988	\$ 264,988
Client education and technical assistance	-	-
Total net assets with donor restrictions	\$ 39,988	\$ 264,988

Net assets were released from donor restrictions by meeting the stipulations or time restrictions specified by the donors during 2024 and 2023 as follows:

	2024	2023
Loan programs	\$ 225,000	\$ -
Client education and technical assistance	-	160,000
	\$ 225,000	\$ 160,000

Note I: 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 4% 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, 2024 and 2023 were **\$273,826** and \$244,987, respectively.

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

Note J: Passthrough Grants

For the years ended December 31, 2024 and 2023, LiftFund received **\$2,730,366** and \$17,311,324, 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. For the years ended December 31, 2024 and 2023, LiftFund awarded **248** and 938 grants to various small businesses throughout the communities served amounting to **\$2,726,202** and \$18,357,211, respectively.

Note K: Leases

Management of LiftFund determined that the remaining lease payments on existing leases as of December 31, 2024 and 2023 did not have a material impact to the consolidated financial statements as of and for the years ended December 31, 2024 and 2023. Therefore, no lease liability or right-to-use asset has been recorded as of December 31, 2024 and 2023.

LiftFund leases office space under noncancelable operating leases expiring through April of 2027. LiftFund leases copiers under a noncancelable operating lease expiring February of 2026. Lease expense charged to operations for the years ended December 31, 2024 and 2023 was **\$146,265** and \$146,075, respectively, and is included in Occupancy Buildings on the Consolidated Statement of Functional Expenses.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2024 are as follows:

2025	\$	130,004
2026		56,379
2027		<u>7,403</u>
	\$	<u>193,786</u>

Note L: Loan Sale Agreements

LiftFund sold the guaranteed portion of SBA 7(a) Community Advantage loans in the amount of **\$4,776,363** and \$8,343,885 on the secondary market during 2024 and 2023, respectively. LiftFund sold nonguaranteed small business loans totaling **\$184,745** and \$2,791,768 during 2024 and 2023, respectively.

Note M: Contributed Nonfinancial Assets

LiftFund carries some notes payable loans at interest rates below prevailing market rates and contributed nonfinancial asset is generated. The value of the contributed nonfinancial asset 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 contributed nonfinancial assets of **\$2,349,376** and \$1,737,121 for the years ended December 31, 2024 and 2023, respectively.

Note N: Commitments and Contingencies

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

LiftFund Inc.

Notes to Consolidated Financial Statements Years Ended December 31, 2024 and 2023

Note O: Concentrations of Credit Risk

Financial instruments which potentially subject the organization to a concentration of credit risk consist of its cash and investment balances held at its financial institution. The accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or Securities Investor Protection Corporation (SIPC) up to \$500,000. At December 31, 2024 and 2023, the cash and investment balances held by the financial institutions were in excess of FDIC and SIPC protection limits. LiftFund has not experienced any losses in such accounts, and management believes there to be little exposure to any significant risk.

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.

The following table represents LiftFund's portfolio balance by state as of December 31, 2024 and 2023:

As of December 31, 2024		
State	Percentage	Portfolio Balance
Texas	79.57%	\$ 53,837,752
Florida	6.36%	4,303,722
Georgia	5.85%	3,956,730
Louisiana	3.22%	2,181,948
Alabama	1.11%	752,118
Tennessee	1.02%	691,534
New Mexico	0.74%	502,058
Mississippi	0.50%	335,238
South Carolina	0.45%	301,386
Missouri	0.42%	287,239
Arkansas	0.28%	190,895
Oklahoma	0.21%	144,386
Kentucky	0.11%	76,458
New York	0.09%	63,839
Arizona	0.03%	19,290
Nevada	0.02%	12,564
Virginia	0.01%	7,282
		<u>\$ 67,664,439</u>

As of December 31, 2023		
State	Percentage	Portfolio Balance
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
		<u>\$ 58,853,701</u>

LiftFund Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

Note P: Subsequent Events

Subsequent events have been evaluated through March 28, 2025, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

LiftFund Inc.

Consolidating Statement of Financial Position December 31, 2024

	<u>LiftFund Inc.</u>	<u>Funding LLC Companies</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 9,084,876	\$ -	\$ -	\$ 9,084,876
Investments	9,867,647	-	-	9,867,647
Receivables:				
Current Portion of Loans Receivable, Net of Allowance for Credit Losses of \$1,961,792 in 2024	17,548,371	-	-	17,548,371
Current Portion of Grants and Contributions Receivable, Net of Allowance for Doubtful Accounts of \$7,676 in 2024	6,706,732	-	-	6,706,732
Current Portion of Program Accounts Receivable	398,775	-	-	398,775
Accrued Interest Receivable	569,660	-	-	569,660
Prepaid Expenses and Other Assets	358,093	-	-	358,093
Total Current Assets	44,534,154	-	-	44,534,154
Cash and Cash Equivalents, Reserved	4,742,800	-	-	4,742,800
Receivables:				
Loans Receivable, Net of Allowance for Credit Losses of \$4,220,392 in 2024, Less Current Portion	43,933,884	6,250,000	(6,250,000)	43,933,884
Grants and Contributions Receivable, Less Current Portion	-	-	-	-
Program Accounts Receivable, Less Current Portion	1,935,765	22,282	(22,282)	1,935,765
Property and Equipment, Net of Accumulated Depreciation of \$4,372,862 in 2024	7,834,937	-	-	7,834,937
Total Assets	\$ 102,981,540	\$ 6,272,282	\$ (6,272,282)	\$ 102,981,540
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 1,662,007	\$ -	\$ -	\$ 1,662,007
Accrued Liabilities	2,777,734	-	-	2,777,734
Deferred Revenue	1,596,949	-	(22,282)	1,574,667
Passthrough Grants Payable	561,000	-	-	561,000
Notes Payable, Current Portion	11,027,635	-	-	11,027,635
Total Current Liabilities	17,625,325	-	(22,282)	17,603,043
Accrued Liabilities	305,534	-	-	305,534
Deferred Revenue	1,032,607	-	-	1,032,607
Notes Payable, Less Current Portion	41,115,984	-	(6,250,000)	34,865,984
Equity Equivalents	10,000,000	-	-	10,000,000
Total Liabilities	70,079,450	-	(6,272,282)	63,807,168
Net Assets:				
Without Donor Restrictions				
Unrestricted	32,862,102	-	-	32,862,102
Noncontrolling Interest in LLC Companies	-	6,272,282	-	6,272,282
With Donor Restrictions	39,988	-	-	39,988
Total Net Assets	32,902,090	6,272,282	-	39,174,372
Total Liabilities and Net Assets	\$ 102,981,540	\$ 6,272,282	\$ (6,272,282)	\$ 102,981,540

See Independent Auditor's Report.

LiftFund Inc.

**Consolidating Statement of Activities
Year Ended December 31, 2024**

	LiftFund Inc.			Funding LLC Companies			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals		Without Donor Restriction	With Donor Restriction	Total
Support and Revenues										
Support:										
Governmental Support	\$ 701,372	\$ -	\$ 701,372	\$ -	\$ -	\$ -	\$ -	\$ 701,372	\$ -	\$ 701,372
Governmental Passthrough Grants	2,730,366	-	2,730,366	-	-	-	-	2,730,366	-	2,730,366
Grants and Contributions	2,318,568	-	2,318,568	-	-	-	-	2,318,568	-	2,318,568
Contributed Nonfinancial Assets	2,349,376	-	2,349,376	-	-	-	-	2,349,376	-	2,349,376
Revenues:										
Loan Interest and Fees	9,891,782	-	9,891,782	187,759	-	187,759	(187,759)	9,891,782	-	9,891,782
SBA 504 Revenue	3,022,703	-	3,022,703	-	-	-	-	3,022,703	-	3,022,703
Gain on Sale of Loans	505,030	-	505,030	-	-	-	-	505,030	-	505,030
Portfolio Management Services	152,551	-	152,551	-	-	-	-	152,551	-	152,551
Office Space Rental Revenue	28,230	-	28,230	-	-	-	-	28,230	-	28,230
Interest and Investment Income	465,161	-	465,161	-	-	-	-	465,161	-	465,161
Miscellaneous Income	17,376	-	17,376	-	-	-	-	17,376	-	17,376
Total Support and Revenues	22,182,515	-	22,182,515	187,759	-	187,759	(187,759)	22,182,515	-	22,182,515
Net Assets Released from Restrictions	225,000	(225,000)	-	-	-	-	-	225,000	(225,000)	-
Total Support and Revenues	22,407,515	(225,000)	22,182,515	187,759	-	187,759	(187,759)	22,407,515	(225,000)	22,182,515
Expenses										
Program Services:										
Lending	21,741,016	-	21,741,016	206,572	-	206,572	(187,759)	21,759,829	-	21,759,829
Passthrough Grants	2,730,366	-	2,730,366	-	-	-	-	2,730,366	-	2,730,366
Support Services:										
Management and General	1,150,859	-	1,150,859	-	-	-	-	1,150,859	-	1,150,859
Fundraising	1,466,430	-	1,466,430	-	-	-	-	1,466,430	-	1,466,430
Total Expenses	27,088,671	-	27,088,671	206,572	-	206,572	(187,759)	27,107,484	-	27,107,484
Change in Net Assets Before Noncontrolling Interest in LLC Companies	(4,681,156)	(225,000)	(4,906,156)	(18,813)	-	(18,813)	-	(4,699,969)	(225,000)	(4,924,969)
Change in Net Assets from Noncontrolling Interest in LLC Companies	-	-	-	(1,000,000)	-	(1,000,000)	-	(1,000,000)	-	(1,000,000)
Change in Net Assets	(4,681,156)	(225,000)	(4,906,156)	(1,018,813)	-	(1,018,813)	-	(5,699,969)	(225,000)	(5,924,969)
Net Assets at Beginning of Year	37,543,258	264,988	37,808,246	7,291,095	-	7,291,095	-	44,834,353	264,988	45,099,341
Net Assets at End of Year	\$ 32,862,102	\$ 39,988	\$ 32,902,090	\$ 6,272,282	\$ -	\$ 6,272,282	\$ -	\$ 39,134,384	\$ 39,988	\$ 39,174,372

See Independent Auditor's Report.

LiftFund Inc.

Consolidating Statement of Functional Expenses
Year Ended December 31, 2024

	LiftFund Inc.				Funding LLC Companies	Eliminations	Consolidated Totals
	Program Services	Support Services Management and General	Fundraising	Totals			
Personnel Costs:							
Salaries and Wages	\$ 7,113,625	\$ 687,006	\$ 847,656	\$ 8,648,287	\$ -	\$ -	\$ 8,648,287
Payroll Taxes	564,173	55,957	68,156	688,286	-	-	688,286
Employee Benefits	889,655	101,015	88,455	1,079,125	-	-	1,079,125
Total Personnel Costs	8,567,453	843,978	1,004,267	10,415,698	-	-	10,415,698
Governmental Passthrough Grants	2,730,366	-	-	2,730,366	-	-	2,730,366
Consultants	788,443	37,570	30,390	856,403	17,197	-	873,600
Interest	1,477,457	-	-	1,477,457	189,375	(187,759)	1,479,073
Technology Expenses	1,222,476	100,674	115,056	1,438,206	-	-	1,438,206
Program Expenses (Grant Funded)	30,110	-	-	30,110	-	-	30,110
Portfolio Expenses	766,707	-	-	766,707	-	-	766,707
Professional Fees	437,738	24,444	4,821	467,003	-	-	467,003
Contributed Nonfinancial Assets	2,349,376	-	-	2,349,376	-	-	2,349,376
Loan Credit Loss	3,917,674	-	-	3,917,674	-	-	3,917,674
Occupancy Buildings	234,508	19,312	22,071	275,891	-	-	275,891
Dues and Subscriptions	102,938	8,477	9,688	121,103	-	-	121,103
Insurance	198,757	16,368	18,707	233,832	-	-	233,832
Equipment Rental and Maintenance	35,875	2,955	3,377	42,207	-	-	42,207
Advertising	343,242	-	147,104	490,346	-	-	490,346
Service Charges and Fees	89,429	-	-	89,429	-	-	89,429
Property Taxes	68,456	5,638	6,443	80,537	-	-	80,537
Office Expenses	88,863	7,318	8,364	104,545	-	-	104,545
Conferences and Meetings	191,900	15,804	18,061	225,765	-	-	225,765
Travel	104,623	8,616	9,847	123,086	-	-	123,086
Total Expenses before Depreciation	23,746,391	1,091,154	1,398,196	26,235,741	206,572	(187,759)	26,254,554
Depreciation	724,991	59,705	68,234	852,930	-	-	852,930
Total Expenses	\$ 24,471,382	\$ 1,150,859	\$ 1,466,430	\$ 27,088,671	\$ 206,572	\$ (187,759)	\$ 27,107,484

See Independent Auditor's Report.