



**ASCENDUS, INC.**

# Ascendus

**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended December 31, 2021 and 2020**



**ASCENDUS, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors of  
Ascendus, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Ascendus, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ascendus, Inc. as of December 31, 2021, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascendus, 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.

#### ***Report on 2020 Financial Statements***

The financial statements of Ascendus, Inc. as of and for the year ended December 31, 2020 were audited by other auditors whose report dated June 25, 2021 expressed an unmodified opinion on those statements.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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



## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Ascendus' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ascendus, 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.

*Mayer Hoffman McCann CPAs*

New York, NY  
May 26, 2022



**ASCENDUS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents (Notes 2C and 10A)	\$ 20,758,617	\$ 12,616,875
Restricted cash for loan funds (Notes 2C and 2D)	3,541,068	2,625,860
Contributions and grants receivable (Note 2E)	1,465,758	1,118,870
Interest on loans receivable (Note 2F)	141,272	172,472
Loans receivable, net (Notes 2F, 2G and 4)	19,468,232	16,061,879
Prepaid expenses and other assets	175,700	185,489
Property and equipment, net (Notes 2H and 5)	227,165	205,883
<b>TOTAL ASSETS</b>	<b>\$ 45,777,812</b>	<b>\$ 32,987,328</b>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 932,472	\$ 785,222
Other liabilities	220,798	64,736
Deferred revenue (Note 2E)	2,026,607	1,011,015
Loan payable (Note 7)	-	827,552
Deferred rent (Note 8A)	58,025	84,212
Notes and recoverable grants payable (Notes 6 and 8C)	22,629,237	19,886,143
Subordinated debt (Note 6)	3,500,000	1,500,000
<b>TOTAL LIABILITIES</b>	<b>29,367,139</b>	<b>24,158,880</b>
 <b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
 <b>NET ASSETS (Note 2B)</b>		
Without donor restrictions	12,583,231	5,336,749
With donor restrictions (Note 9)	3,827,442	3,491,699
<b>TOTAL NET ASSETS</b>	<b>16,410,673</b>	<b>8,828,448</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 45,777,812</b>	<b>\$ 32,987,328</b>

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

**ASCENDUS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>CONTRIBUTIONS AND REVENUE:</b>						
<b>Contributions:</b>						
Contributions (Notes 2E and 10B)	\$ 3,791,286	\$ 4,242,725	\$ 8,034,011	\$ 2,659,224	\$ 6,269,167	\$ 8,928,391
In-kind contributions (Note 2I)	78,933	-	78,933	299,445	-	299,445
Special events revenue (Note 2K)	-	-	-	80,064	-	80,064
<b>Total Contributions</b>	<u>3,870,219</u>	<u>4,242,725</u>	<u>8,112,944</u>	<u>3,038,733</u>	<u>6,269,167</u>	<u>9,307,900</u>
<b>Revenue:</b>						
Interest on loans (Note 2F)	1,131,896	-	1,131,896	1,637,851	-	1,637,851
Program fees (Notes 2L, 4 and 10B)	4,845,200	-	4,845,200	1,014,949	-	1,014,949
Interest income	8,607	-	8,607	16,091	-	16,091
Paycheck Protection Program loan forgiveness (Note 7)	827,552	-	827,552	-	-	-
Other revenue (Note 2F)	568,971	-	568,971	704,739	-	704,739
<b>Total Revenue</b>	<u>7,382,226</u>	<u>-</u>	<u>7,382,226</u>	<u>3,373,630</u>	<u>-</u>	<u>3,373,630</u>
<b>Net assets released from restrictions</b> (Note 9)	<u>3,906,982</u>	<u>(3,906,982)</u>	<u>-</u>	<u>3,465,559</u>	<u>(3,465,559)</u>	<u>-</u>
<b>TOTAL CONTRIBUTIONS AND REVENUE</b>	<u>15,159,427</u>	<u>335,743</u>	<u>15,495,170</u>	<u>9,877,922</u>	<u>2,803,608</u>	<u>12,681,530</u>
<b>EXPENSES:</b>						
Program services:						
Lending/education services	6,096,042	-	6,096,042	7,382,993	-	7,382,993
Community advantage	380,513	-	380,513	528,571	-	528,571
Total program services	<u>6,476,555</u>	<u>-</u>	<u>6,476,555</u>	<u>7,911,564</u>	<u>-</u>	<u>7,911,564</u>
Supporting services:						
Management and general	513,547	-	513,547	841,821	-	841,821
Fundraising	922,843	-	922,843	717,240	-	717,240
Total supporting services	<u>1,436,390</u>	<u>-</u>	<u>1,436,390</u>	<u>1,559,061</u>	<u>-</u>	<u>1,559,061</u>
<b>TOTAL EXPENSES</b>	<u>7,912,945</u>	<u>-</u>	<u>7,912,945</u>	<u>9,470,625</u>	<u>-</u>	<u>9,470,625</u>
<b>CHANGE IN NET ASSETS</b>	7,246,482	335,743	7,582,225	407,297	2,803,608	3,210,905
<b>Net assets - beginning of year</b>	<u>5,336,749</u>	<u>3,491,699</u>	<u>8,828,448</u>	<u>4,929,452</u>	<u>688,091</u>	<u>5,617,543</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,583,231</u>	<u>\$ 3,827,442</u>	<u>\$ 16,410,673</u>	<u>\$ 5,336,749</u>	<u>\$ 3,491,699</u>	<u>\$ 8,828,448</u>

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

**ASCENDUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Totals for 2020)**

Year Ended December 31, 2021

	Program Services			Supporting Services			Total 2021	Total 2020
	Lending/ Education Services	Community Advantage	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel costs (Note 11)	\$ 3,646,851	\$ 247,724	\$ 3,894,575	\$ 411,432	\$ 647,657	\$ 1,059,089	\$ 4,953,664	\$4,287,510
Professional fees (Note 2I)	542,952	52,413	595,365	42,214	180,891	223,105	818,470	1,257,659
Office and occupancy (Note 8A)	305,445	20,748	326,193	34,460	54,245	88,705	414,898	453,833
Travel and conference	8,871	603	9,474	1,001	1,575	2,576	12,050	24,530
Interest and fees (Note 6)	588,320	37,784	626,104	-	-	-	626,104	707,186
Depreciation and amortization (Note 5)	119,754	8,135	127,889	13,510	21,268	34,778	162,667	164,750
Loan loss provision (Notes 2F and 4)	-	-	-	-	-	-	-	2,185,788
Other expenses	883,849	13,106	896,955	10,930	17,207	28,137	925,092	389,369
<b>TOTAL EXPENSES</b>	<b>\$ 6,096,042</b>	<b>\$ 380,513</b>	<b>\$ 6,476,555</b>	<b>\$ 513,547</b>	<b>\$ 922,843</b>	<b>\$ 1,436,390</b>	<b>\$ 7,912,945</b>	<b>\$ 9,470,625</b>

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

**ASCENDUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Year Ended December 31, 2020			Year Ended December 31, 2020			Total 2020
	Program Services		Total Program Services	Supporting Services		Total Supporting Services	
	Lending/ Education Services	Community Advantage		Management and General	Fundraising		
Personnel costs (Note 11)	\$ 3,182,402	\$ 204,852	\$ 3,387,254	\$ 341,853	\$ 558,403	\$ 900,256	\$ 4,287,510
Professional fees (Note 2I)	690,405	99,050	789,455	396,081	72,123	468,204	1,257,659
Office and occupancy (Note 8A)	336,857	21,684	358,541	36,185	59,107	95,292	453,833
Travel and conference	18,207	1,172	19,379	1,956	3,195	5,151	24,530
Interest and fees (Note 6)	633,056	74,130	707,186	-	-	-	707,186
Depreciation and amortization (Note 5)	122,286	7,872	130,158	13,135	21,457	34,592	164,750
Loan loss provision (Notes 2F and 4)	2,090,608	95,180	2,185,788	-	-	-	2,185,788
Other expenses	309,172	24,631	333,803	52,611	2,955	55,566	389,369
<b>TOTAL EXPENSES</b>	<b>\$ 7,382,993</b>	<b>\$ 528,571</b>	<b>\$ 7,911,564</b>	<b>\$ 841,821</b>	<b>\$ 717,240</b>	<b>\$ 1,559,061</b>	<b>\$ 9,470,625</b>

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



**ASCENDUS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b>2021</b>	<b>2020</b>
Change in net assets	\$ 7,582,225	\$ 3,210,905
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Recovery) provision for loan losses	(236,406)	2,185,788
Depreciation and amortization	162,667	164,750
Gain from sale of participation loans	(22,885)	(140,314)
Forgiveness of Paycheck Protection Program loan	(827,552)	-
Subtotal	6,658,049	5,421,129
Changes in assets and liabilities:		
Contributions and grants receivable	(346,888)	329,490
Interest on loans receivable	31,200	266,843
Prepaid expenses and other assets	9,789	28,134
Accounts payable and accrued expenses	147,250	210,451
Other liabilities	156,062	9,540
Deferred revenue and rent	989,405	986,166
<b>Net Cash Provided by Operating Activities</b>	<b>7,644,867</b>	<b>7,251,753</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Disbursements under loan programs	(41,338,338)	(14,591,275)
Collections under loan program	23,267,205	8,857,980
Proceeds from loan participations	14,924,071	5,395,311
Purchases of property and equipment	(183,950)	(154,300)
<b>Net Cash Used in Investing Activities</b>	<b>(3,331,012)</b>	<b>(492,284)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable and subordinated debt	32,297,500	8,050,000
Repayments of notes payable	(27,554,405)	(2,948,532)
Proceeds from loan payable	-	827,552
<b>Net Cash Provided by Financing Activities</b>	<b>4,743,095</b>	<b>5,929,020</b>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	<b>9,056,950</b>	<b>12,688,489</b>
Cash and restricted cash - beginning of year	15,242,735	2,554,246
<b>CASH AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 24,299,685</b>	<b>\$ 15,242,735</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Noncash Financing Activities		
Forgiveness of Paycheck Protection Program loan	\$ 827,552	\$ -
Cash paid during the year for interest	\$ 442,515	\$ 529,935

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

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Ascendus, Inc. (“Ascendus”) empowers low-to-moderate-income (“LMI”) business owners with access to capital and financial education. With economic opportunity, these entrepreneurs, often individuals of color and women, can build assets, better provide for their families, create employment opportunities for their neighbors, and strengthen their communities.

Since its incorporation on January 30, 1996, Ascendus has served over 24,200 small business owners by providing affordable loans totaling \$243 million. Ascendus has offices in New York, Florida and Massachusetts but lends across forty-nine states. Ascendus sells participations in its loan portfolio to a few institutions. The purpose of these sales is to manage credit concentration of the portfolio and to raise additional capital for growth. At times, loans are sold at a premium over face value and Ascendus retains the servicing of these loans, for which it charges a monthly fee.

Ascendus is a Community Development Financial Institution (“CDFI”), certified by the U.S. Department of the Treasury. Ascendus has also been approved by the U.S. Small Business Administration (“SBA”) to serve as an SBA Microlender and SBA Community Advantage lender across fourteen (14) states along the East coast.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Ascendus’ financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. Ascendus reports grants, gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions. Net assets without donor restrictions represent net assets not subject to donor-imposed restrictions.
- C. Cash and cash equivalents consist of highly liquid debt instruments purchased with original maturities of three months or less when acquired. Cash and cash equivalents include \$5.4 million of recoverable grants as of December 31, 2021. The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 20,758,617	\$ 12,616,875
Cash restricted for loan funds	<u>3,541,068</u>	<u>2,625,860</u>
Total	<u>\$ 24,299,685</u>	<u>\$ 15,242,735</u>

- D. Restricted cash consists of amounts for which the use has been restricted by lenders for specific loan programs.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- E. Contributions and grants receivable are recorded as revenue when the unconditional promise is made and are considered implicitly time restricted. Management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors, including an assessment of the credit worthiness of its donors, aging of the amount due and historical experience. As of December 31, 2021 and 2020, management determined that an allowance for doubtful accounts was not necessary for contributions and grants receivable. Contributions and grants receivable due in more than one year are recorded at the present value of their estimated future cash flows, determined using risk-adjusted interest rates applicable to the years in which the promises are made. As of December 31, 2021 and 2020, \$100,000 and \$275,000 of contributions and grants receivable are due in more than one year, respectively.

Conditional contributions and grants are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Conditional contributions and grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. As of December 31, 2021 and 2020, Ascendus was awarded conditional grants and contracts from government agencies in the aggregate amount of \$1,019,487 and \$0, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. As of December 31, 2021 and 2020, Ascendus received conditional grants and contracts from government agencies and foundations in the aggregate amounts of \$2,026,607 and \$1,011,015, respectively, that are recorded as deferred revenue in the accompanying financial statements, as they will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the funding entities are not obligated to expend the funds allotted under the grants and contracts and Ascendus may be required to return the funds already remitted.

- F. Management considers a loan to be impaired when it is probable that Ascendus will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management evaluates loans for impairment based on delinquency information, and an assessment of the borrower’s financial condition. Impaired loans are written off when payments are past due 120 days or in some cases earlier.

The allowance for loan losses reflects loan impairment, is calculated using impairment rates approved by the Board of Directors and is calculated based on the aging of impaired loans and historical write-off trends.

At December 31, 2021 and 2020, Ascendus’ loan loss reserve includes approximately \$284,000 and \$313,000, respectively, for the SBA 7(a) Community Advantage (“SBA CA”) Program. Ascendus is in compliance with the loan loss reserve requirements for the SBA CA Program.

Interest income on loans is recognized based on the principal amount outstanding and the related rate of interest. The accrual of interest on loans is calculated using the same impairment classifications used for allowance for loan losses.

Under certain circumstances, Ascendus will provide borrowers relief through loan restructuring. A restructuring of debt constitutes a troubled debt restructuring (“TDR”) if Ascendus, for economic or legal reasons related to the borrower’s financial difficulties, grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. Ascendus considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

Ascendus has concluded that the impairment impact of TDR on its loan portfolio (generally lower balance loans having original maturities of 60 months or less) is insignificant to the financial statements. As such, these impairments are individually tracked in the loan portfolio and are adequately included in the loss allowance provided for the loan portfolio.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. In the United States, the public health response involved partial or full shutdown of non-essential services. Unlike a TDR, which is based on borrower specific challenges, the pandemic was a systemic one and in light of the shutdown, Ascendus offered its clients complete loan repayment deferment for up to six months during 2020. In addition, the SBA made principal and interest payments on most of the SBA funded or guaranteed loans for six months.

Ascendus collected previously written off loan receivables of approximately \$330,000 and \$110,000 during 2021 and 2020, respectively, which are recognized as other revenue in the accompanying statements of activities. Ascendus’ loan loss recovery amounted to \$236,406 for the year ended December 31, 2021 and is included as other revenue in the accompanying statements of activities.

- G. U.S. GAAP requires that when a not-for-profit organization receives or makes loans of cash that carry interest rates below the prevailing market rate, the imputed interest be recorded as contributions received or paid, respectively. Ascendus both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. However, Ascendus considers its market to be the CDFI industry as opposed to the financial institutions industry in general. Consequently, Ascendus believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Ascendus accounts for these loans at the stated rates.
- H. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Ascendus capitalizes all property and equipment having a useful life of greater than one year and a cost of \$500 or more. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts, with any net gain or loss reflected in the statement of activities for the period. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. In addition to tangible assets, Ascendus also capitalizes the internal and external costs incurred to develop in-house computer software during the application development stage. This includes the cost to develop or obtain software that allows for access or conversion of old data by new systems. Capitalized software is amortized over its estimated useful life.
- I. Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. Ascendus received contributed legal services that are valued at the standard market rates that would have been incurred by Ascendus to obtain such services. Contributed services are reported as revenue and expense in the accompanying statements of activities because they meet the criteria for recognition. Ascendus received contributed services of approximately \$79,000 and \$299,000 during 2021 and 2020, respectively.
- J. The costs of providing Ascendus’ program and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated on a reasonable and consistent basis between program and supporting services based on an analysis of estimated time and effort. The expenses that are allocated include salaries, payroll taxes and employee benefits, professional fees, occupancy, communications, insurance, supplies, equipment, and other miscellaneous office expenses. Other costs are directly applied based on their explicit nature, including interest expense, provision for loan losses, outreach and similar as direct programmatic costs, and professional fees for audit, accounting, and development as costs for supporting services.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- K. Ascendus conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special event revenue in the accompanying statements of activities.
- L. Ascendus earns program fees from loan origination, servicing and closing services. Performance obligations and price are defined within the contracts and obligations are determined to have been met by Ascendus upon completion of contracted deliverables or alternatively, according to a service schedule stipulated in the contract. Fees are earned over time as Ascendus meets these performance obligations.
- M. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Cash account balances, net of outstanding checks, for the operations and lending accounts are reviewed daily by accounting and finance staff, and weekly with management. On a weekly basis, management reviews its cash flow trends and forecasts upcoming cash needs in order to determine when and if Ascendus' lines of credit will be drawn or repaid, or if lending or vendor payments must be constricted.

As of December 31, 2021, Ascendus had working capital of approximately \$29.9 million, including \$6.2 million of undrawn revolvers, and a current ratio of 4.3x. At 2021 year end, cash and cash equivalents of approximately \$20.7 million represented 32 months' of cash on hand based on the 2022 budget, inclusive of operating expenses, lending and borrowing forecasts, but excluding depreciation and amortization, and provision expenses.

The following table shows the total financial assets held and the amounts of those financial assets that could readily be made available within one year of the statements of financial position date to meet general expenditures as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 20,758,617	\$ 12,616,875
Contributions and grants receivable	1,465,758	1,118,870
Interest on loans receivable	141,272	172,472
Loans receivable, net	<u>19,468,232</u>	<u>16,061,879</u>
 Total financial assets at year-end	 41,833,879	 29,970,096
 Less: Contributions and grants receivable due in over one year	 (100,000)	 (275,000)
Less: Net loans receivable due in over one year	<u>(12,961,263)</u>	<u>(9,207,750)</u>
 Total financial assets at year-end available for general expenditures	 <u>\$ 28,772,616</u>	 <u>\$ 20,487,346</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Ascendus considers all expenditures related to its ongoing activities of programs including lending activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

**ASCENDUS, INC.**  
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**NOTE 4 – LOANS RECEIVABLE, NET**

Loans receivable consists of microloans (up to \$50,000), SBA Paycheck Protection Program (“PPP”) loans and SBA CA loans (over \$50,000 to \$250,000).

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables a business to obtain a loan from the U.S. Small Business Administration (“SBA”). If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Ascendus is a qualified lender for the PPP program. PPP loans are 100% guaranteed by the SBA. Therefore, Ascendus does not reserve against potential losses on its outstanding PPP loans. During the years ended December 31, 2021 and 2020, Ascendus generated approximately \$4 million and \$294,000, respectively, in PPP program-related fees included in program fees in the accompanying statements of activities. The PPP program has expired and Ascendus does not expect any further loans to be made under the program.

Loans receivable as of December 31, 2021 and 2020, include the following:

	<u>December 31, 2021</u>			
	<u>Microloans</u>	<u>SBA PPP Loans</u>	<u>SBA CA Loans</u>	<u>Total</u>
Total portfolio managed	\$ 23,551,219	\$ 9,812,482	\$ 5,808,533	\$ 39,172,234
Less: Participation loans sold <sup>(1)</sup>	<u>(14,212,649)</u>	<u>-</u>	<u>(4,313,776)</u>	<u>(18,526,425)</u>
Total loans receivable	9,338,570	9,812,482	1,494,757	20,645,809
Less: allowance for uncollectible loans	<u>(893,330)</u>	<u>-</u>	<u>(284,247)</u>	<u>(1,177,577)</u>
Loans receivable, net	<u>\$ 8,445,240</u>	<u>\$ 9,812,482</u>	<u>\$ 1,210,510</u>	<u>\$ 19,468,232</u>

	<u>December 31, 2020</u>			
	<u>Microloans</u>	<u>SBA PPP Loans</u>	<u>SBA CA Loans</u>	<u>Total</u>
Total portfolio managed	\$ 15,651,279	\$ 4,737,378	\$ 6,951,898	\$ 27,340,555
Less: Participation loans sold <sup>(1)</sup>	<u>(4,059,402)</u>	<u>-</u>	<u>(4,882,132)</u>	<u>(8,941,534)</u>
Total loans receivable	11,591,877	4,737,378	2,069,766	18,399,021
Less: allowance for uncollectible loans	<u>(2,024,224)</u>	<u>-</u>	<u>(312,918)</u>	<u>(2,337,142)</u>
Loans receivable, net	<u>\$ 9,567,653</u>	<u>\$ 4,737,378</u>	<u>\$ 1,756,848</u>	<u>\$ 16,061,879</u>

(1) Represents the balance outstanding of loan participations owned by third parties. In 2021, Ascendus sold participations in 431 loans for a total of \$14.9 million. In 2020, Ascendus sold participations in 221 loans for a total of \$5.4 million. Ascendus recorded the participating interests as offset to loans receivable under the provisions of FASB Accounting Standards Codification (“ASC”) Topic 860, *Transfers and Servicing*.

An aged analysis of loans segregated by loan program as of December 31, 2021 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Microloans	\$ 101,342	\$ 61,356	\$ 162,698	\$ 9,175,872	\$ 9,338,570
SBA PPP loans	184,311	-	184,311	9,628,171	9,812,482
SBA CA loans	<u>4,528</u>	<u>377,295</u>	<u>381,823</u>	<u>1,112,934</u>	<u>1,494,757</u>
Loans receivable	<u>\$ 290,181</u>	<u>\$ 438,651</u>	<u>\$ 728,832</u>	<u>\$ 19,916,977</u>	<u>\$ 20,645,809</u>

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**NOTE 4 – LOANS RECEIVABLE, NET (Continued)**

An aged analysis of loans segregated by loan program as of December 31, 2020 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Microloans	\$ 450,256	\$ 165,835	\$ 616,091	\$ 10,975,786	\$ 11,591,877
SBA PPP loans	-	-	-	4,737,378	4,737,378
SBA CA loans	<u>215,216</u>	<u>506,793</u>	<u>722,009</u>	<u>1,347,757</u>	<u>2,069,766</u>
Loans receivable	<u>\$ 665,472</u>	<u>\$ 672,628</u>	<u>\$ 1,338,100</u>	<u>\$ 17,060,921</u>	<u>\$ 18,399,021</u>

The loans receivable include restructured loans as of December 31 as follows:

	<u>2021</u>	<u>2020</u>
Restructured loans receivable	\$ 23,462	\$ 85,139
Less: allowance for uncollectible loans	<u>(1,525)</u>	<u>(13,534)</u>
	<u>\$ 21,937</u>	<u>\$ 71,605</u>

An analysis of the loan loss allowance for the years ended December 31 follows:

	<u>2021</u>	<u>2020</u>
Balance beginning of year	\$ 2,337,142	\$ 1,629,151
(Recovery) provision for loan losses	(236,406)	2,185,788
Loans written-off	<u>(923,159)</u>	<u>(1,477,797)</u>
	<u>\$ 1,177,577</u>	<u>\$ 2,337,142</u>

The liquidity of the loan portfolio (net) for the years ended December 31 is as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 6,506,969	\$ 6,854,129
Due in over one year	<u>12,961,263</u>	<u>9,207,750</u>
	<u>\$ 19,468,232</u>	<u>\$ 16,061,879</u>

The SBA allows the sale of the guaranteed portion of the CA loan on the secondary market. During 2021 and 2020, Ascendus realized a gain on the sale of the participated interest of \$22,885 and \$140,314, respectively, which are included in program fees in the accompanying statements of activities.

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 31,385	\$ 31,385	5 - 10 years
Capitalized hardware and software	1,107,612	923,662	3 - 5 years
Furniture, fixtures and equipment	<u>175,266</u>	<u>175,266</u>	3 - 5 years
Total cost	1,314,263	1,130,313	
Less: accumulated depreciation and amortization	<u>(1,087,098)</u>	<u>(924,430)</u>	
Net book value	<u>\$ 227,165</u>	<u>\$ 205,883</u>	

Depreciation and amortization expense amounted to \$162,668 and \$164,750 for the years ended December 31, 2021 and 2020, respectively.

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**NOTE 6 – NOTES PAYABLE AND SUBORDINATED DEBT**

The following is a summary of Ascendus' credit agreements with various banks and other lenders to fund its microlending activities at December 31:

	2021	2020
<u>Notes payable – secured</u>		
Secured borrowing with SBA, secured by program-funded loans, bearing fixed annual interest rates ranging from 0% to 1.63% and ten-year maturities	\$ 14,042,036	\$ 3,930,874
<u>Notes payable – unsecured</u>		
Maturity terms range from one to six years, bearing fixed annual interest rates from 1% to 4%	8,587,201	15,955,269
	22,629,237	19,886,143
<u>Subordinated debt – EQ2 Loans – unsecured</u>		
The equity equivalent investment, commonly referred to in the community development financing industry as an “EQ2 Loan”, is designed by lenders to increase available funding and investments to economically disadvantaged communities. EQ2 loans are subordinated to Ascendus' other lenders, and have ten-year maturities with fixed annual interest rates of 2.0% to 3.0%	3,500,000	1,500,000
Total notes payable and subordinated debt	\$ 26,129,237	\$ 21,386,143

Future annual principal payments due are as follows:

Years ending December 31:	Amount
2022	\$ 5,625,779
2023	3,361,821
2024	757,355
2025	1,445,556
2026	10,554,569
Thereafter	4,384,157
Total	\$ 26,129,237

Interest expense was \$538,394 and \$529,935 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 7 – LOAN PAYABLE**

Ascendus applied for a PPP loan through an SBA authorized lender. The loan, amounting to \$827,552, was approved and received in April 2020. Ascendus has to account for the proceeds as a loan under FASB ASC Topic 470, *Debt*, until the loan is, in part or wholly forgiven, and Ascendus has been “legally released.”

Ascendus received forgiveness from the lender that the PPP loan was fully forgiven on August 27, 2021. During the year ended December 31, 2021, Ascendus recognized \$827,552 of gain resulting from the forgiveness upon legal release of its obligation from the bank.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

A. Ascendus leased space in New York and Orlando during the year ended December 31, 2021. The leases range in maturity from month-to-month to the year 2023 and include rent increases, which are amortized on a straight-line basis. Deferred rent amounted to \$58,025 and \$84,212 as of December 31, 2021 and 2020, respectively, and is included in the accompanying statements of financial position. The estimated annual amortization of deferred rent for the year following December 31, 2021 is approximately \$34,000.



**ASCENDUS, INC.**  
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**NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)**

Future minimum lease payments are due as follows for the years ending after December 31, 2021:

2022	\$ 280,296
2023	<u>161,991</u>
	<u>\$ 442,287</u>

Rent expense of \$235,737 and \$288,743 was included in office and occupancy expenses in the accompanying statements of functional expenses for the years ended December 31, 2021 and 2020, respectively.

- B. Ascendus believes it has no uncertain tax positions as of December 31, 2021 and 2020 in accordance with FASB ASC Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. Ascendus has three revolving lines of credit available for drawdowns with various banks in the amounts of \$3 million, \$2 million and \$4.4 million, respectively, that totaled \$9.4 million. The interest rates on the lines as of December 31, 2021 range from 1% to 4%. The maturity dates of the agreements range from 2022 to 2026. As of December 31, 2021, there were \$3,235,419 borrowings under the lines of credit and they are included in notes and recoverable grants payable on the accompanying statements of financial position. As of May 26, 2022, there were \$3,235,419 borrowings under the lines of credit.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Program Support:		
Microlending and Financial Education	\$ 2,234,000	\$ 1,714,828
Lending Capital:		
Revolving grant funds that enable greater lending innovation for impact	<u>1,593,442</u>	<u>1,776,871</u>
Total	<u>\$ 3,827,442</u>	<u>\$ 3,491,699</u>

Net assets with donor restrictions of \$3,906,982 and \$3,465,559 for the years ended December 31, 2021 and 2020, respectively, were released from donor restrictions by incurring expenditures satisfying the restricted purposes specified by the donors or the passage of time.

**NOTE 10 – CONCENTRATIONS**

- A. Cash and cash equivalents that potentially subject Ascendus to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2021 and 2020, there were approximately \$23,507,000 and \$14,644,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.
- B. In 2021, contributions from one donor represented 25% of total contribution revenue. PPP related program fees accounted for 83% of program fee revenue.

**NOTE 11 – RETIREMENT PLAN**

Ascendus participates in a retirement savings plan covering all employees who meet the minimum service requirements. Ascendus has the option to match employee contributions and/or make discretionary contributions to employees’ retirement plans. Ascendus did not make any contributions for each of the years ended December 31, 2021 and 2020.

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**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 26, 2022, the date the financial statements were available to be issued. Management noted there were no subsequent events to be disclosed.