

ASCENDUS, INC.

Ascendus

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

Years Ended December 31, 2022 and 2021

ASCENDUS, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Ascendus, Inc.

Opinion

We have audited the financial statements of Ascendus, Inc. ("Ascendus"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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' 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.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
mhmcpa.com





In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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' 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 30, 2023

ASCENDUS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
Cash and cash equivalents (Notes 2C and 11A)	\$ 16,129,788	\$ 20,758,617
Restricted cash for loan funds (Notes 2C and 2D)	3,917,320	3,541,068
Contributions and grants receivable (Note 2E)	2,398,670	1,465,758
Interest on loans receivable (Note 2F)	154,232	141,272
Loans receivable, net (Notes 2F, 2G and 4)	17,299,175	19,468,232
Prepaid expenses and other assets	371,828	175,700
Right-of-use lease asset (Notes 2O and 8)	52,353	-
Property and equipment, net (Notes 2H and 5)	127,877	227,165
TOTAL ASSETS	\$ 40,451,243	\$ 45,777,812
 LIABILITIES		
Accounts payable and accrued expenses	\$ 1,286,663	\$ 932,472
Other liabilities	235,570	220,798
Deferred revenue (Note 2E)	18,066	2,026,607
Deferred rent	-	58,025
Lease liability (Notes 2O and 8)	52,611	-
Notes and recoverable grants payable (Notes 6 and 9B)	12,604,044	22,629,237
Subordinated debt (Note 6)	5,500,000	3,500,000
TOTAL LIABILITIES	19,696,954	29,367,139
 COMMITMENTS AND CONTINGENCIES (Note 9)		
 NET ASSETS (Note 2B)		
Without donor restrictions	14,752,757	12,583,231
With donor restrictions (Note 10)	6,001,532	3,827,442
TOTAL NET ASSETS	20,754,289	16,410,673
TOTAL LIABILITIES AND NET ASSETS	\$ 40,451,243	\$ 45,777,812

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

ASCENDUS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CONTRIBUTIONS AND REVENUE:						
Contributions:						
Contributions (Notes 2E and 11B)	\$ 4,862,146	\$ 4,899,367	\$ 9,761,513	\$ 3,791,286	\$ 4,242,725	\$ 8,034,011
Noncash contributions (Note 2J)	30,091	-	30,091	78,933	-	78,933
Total Contributions	<u>4,892,237</u>	<u>4,899,367</u>	<u>9,791,604</u>	<u>3,870,219</u>	<u>4,242,725</u>	<u>8,112,944</u>
Revenue:						
Interest on loans (Note 2F)	922,191	-	922,191	1,131,896	-	1,131,896
Program fees (Notes 2M, 4 and 11B)	2,272,018	-	2,272,018	4,845,200	-	4,845,200
Interest income	27,361	-	27,361	8,607	-	8,607
Paycheck Protection Program loan forgiveness (Note 7)	-	-	-	827,552	-	827,552
Other revenue (Note 2F)	420,876	-	420,876	568,971	-	568,971
Total Revenue	<u>3,642,446</u>	<u>-</u>	<u>3,642,446</u>	<u>7,382,226</u>	<u>-</u>	<u>7,382,226</u>
Net assets released from restrictions (Note 10)	<u>2,725,277</u>	<u>(2,725,277)</u>	<u>-</u>	<u>3,906,982</u>	<u>(3,906,982)</u>	<u>-</u>
TOTAL CONTRIBUTIONS AND REVENUE	<u>11,259,960</u>	<u>2,174,090</u>	<u>13,434,050</u>	<u>15,159,427</u>	<u>335,743</u>	<u>15,495,170</u>
EXPENSES:						
Program services:						
Lending/education services	7,132,350	-	7,132,350	6,096,042	-	6,096,042
Community advantage	339,859	-	339,859	380,513	-	380,513
Total program services	<u>7,472,209</u>	<u>-</u>	<u>7,472,209</u>	<u>6,476,555</u>	<u>-</u>	<u>6,476,555</u>
Supporting services:						
Management and general	826,176	-	826,176	513,547	-	513,547
Fundraising	792,049	-	792,049	922,843	-	922,843
Total supporting services	<u>1,618,225</u>	<u>-</u>	<u>1,618,225</u>	<u>1,436,390</u>	<u>-</u>	<u>1,436,390</u>
TOTAL EXPENSES	<u>9,090,434</u>	<u>-</u>	<u>9,090,434</u>	<u>7,912,945</u>	<u>-</u>	<u>7,912,945</u>
CHANGE IN NET ASSETS	2,169,526	2,174,090	4,343,616	7,246,482	335,743	7,582,225
Net assets - beginning of year	<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>
NET ASSETS - END OF YEAR	<u>\$ 14,752,757</u>	<u>\$ 6,001,532</u>	<u>\$ 20,754,289</u>	<u>\$ 12,583,231</u>	<u>\$ 3,827,442</u>	<u>\$ 16,410,673</u>

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

ASCENDUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for 2021)

	Program Services			Supporting Services			Total 2022	Total 2021
	Lending/ Education Services	Community Advantage	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel costs (Note 12)	\$ 4,064,774	\$ 219,569	\$ 4,284,343	\$ 671,928	\$ 532,314	\$ 1,204,242	\$ 5,488,585	\$ 4,953,664
Professional fees (Note 2J)	434,832	26,856	461,688	65,773	189,648	255,421	717,109	818,470
Office and occupancy (Note 8)	310,500	16,772	327,272	51,327	40,662	91,989	419,261	414,898
Travel and conference	99,318	5,365	104,683	16,418	13,006	29,424	134,107	12,050
Interest and fees (Note 6)	618,586	22,228	640,814	-	-	-	640,814	626,104
Depreciation and amortization (Note 5)	92,382	4,990	97,372	15,271	12,098	27,369	124,741	162,667
Loan loss provision (Notes 2F and 4)	914,227	42,296	956,523	-	-	-	956,523	-
Other expenses	597,731	1,783	599,514	5,459	4,321	9,780	609,294	925,092
TOTAL EXPENSES	\$ 7,132,350	\$ 339,859	\$ 7,472,209	\$ 826,176	\$ 792,049	\$ 1,618,225	\$ 9,090,434	\$ 7,912,945

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

ASCENDUS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Year Ended December 31, 2021						
	Program Services			Supporting Services			
	Lending/ Education Services	Community Advantage	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2021
Personnel costs (Note 12)	\$ 3,646,851	\$ 247,724	\$ 3,894,575	\$ 411,432	\$ 647,657	\$ 1,059,089	\$ 4,953,664
Professional fees (Note 2J)	542,952	52,413	595,365	42,214	180,891	223,105	818,470
Office and occupancy (Note 8)	305,445	20,748	326,193	34,460	54,245	88,705	414,898
Travel and conference	8,871	603	9,474	1,001	1,575	2,576	12,050
Interest and fees (Note 6)	588,320	37,784	626,104	-	-	-	626,104
Depreciation and amortization (Note 5)	119,754	8,135	127,889	13,510	21,268	34,778	162,667
Other expenses	883,849	13,106	896,955	10,930	17,207	28,137	925,092
TOTAL EXPENSES	\$ 6,096,042	\$ 380,513	\$ 6,476,555	\$ 513,547	\$ 922,843	\$ 1,436,390	\$ 7,912,945

ASCENDUS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	2022	2021
Change in net assets	\$ 4,343,616	\$ 7,582,225
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision (recovery) for loan losses	956,523	(236,406)
Depreciation and amortization	124,741	162,667
Loss (gain) from sale of participation loans	28,409	(22,885)
Forgiveness of Paycheck Protection Program loan	-	(827,552)
Non-cash adjustments on operating leases	14,964	-
	5,468,253	6,658,049
Subtotal		
Changes in assets and liabilities:		
Contributions and grants receivable	(932,912)	(346,888)
Interest on loans receivable	(12,960)	31,200
Prepaid expenses and other assets	(196,128)	9,789
Accounts payable and accrued expenses	354,191	147,250
Other liabilities	14,772	156,062
Lease liability	(14,706)	-
Deferred revenue and rent	(2,066,566)	989,405
	2,613,944	7,644,867
Net Cash Provided by Operating Activities	2,613,944	7,644,867
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements under loan programs	(39,209,694)	(41,338,338)
Collections under loan program	13,096,604	23,267,205
Proceeds from loan participations	27,297,215	14,924,071
Purchases of property and equipment	(25,453)	(183,950)
	1,158,672	(3,331,012)
Net Cash Provided by (Used in) Investing Activities	1,158,672	(3,331,012)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and subordinated debt	7,025,000	32,297,500
Repayments of notes payable	(15,050,193)	(27,554,405)
	(8,025,193)	4,743,095
Net Cash (Used in) Provided by Financing Activities	(8,025,193)	4,743,095
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,252,577)	9,056,950
Cash, cash equivalents and restricted cash - beginning of year	24,299,685	15,242,735
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 20,047,108	\$ 24,299,685
Supplementary Disclosure of Cash Flow Information:		
Noncash Financing Activities		
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 827,552
Cash paid during the year for interest	\$ 360,879	\$ 442,515

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Ascendus, Inc. (“Ascendus”) is a non-profit organization established pursuant to the laws of New York and exempt from income tax under the Internal Revenue Code section 501(c)(3). 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 47,000 small business owners by providing affordable loans totaling \$336 million. Ascendus has offices in New York and Florida 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. The following table provides a reconciliation of cash, cash equivalents 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:

	2022	2021
Cash and cash equivalents	\$ 16,129,788	\$ 20,758,617
Cash restricted for loan funds	3,917,320	3,541,068
Total	\$ 20,047,108	\$ 24,299,685

- D. Restricted cash consists of amounts for which the use has been restricted by lenders for specific loan programs.
- 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, 2022 and 2021, 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. Contributions and grants receivable that are due in more than one year amounted to \$-0- and \$100,000 as of December 31, 2022 and 2021, respectively.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021, Ascendus was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$1,632,350 and \$1,019,847, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. As of December 31, 2022 and 2021, Ascendus received conditional grants and contracts from government agencies and foundations in the aggregate amounts of \$18,066 and \$2,026,607, 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, 2022 and 2021, Ascendus’ loan loss reserve includes approximately \$110,000 and \$284,000, 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 collected previously written off loan receivables of \$420,876 and \$329,506 during 2022 and 2021, respectively, which are recognized as other revenue in the accompanying statements of activities.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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. Ascendus leases real property under operating leases expiring at various dates in the future. Since the rent payments increase overtime, Ascendus records an adjustment to rent expense each year to reflect its straight-line policy prior to the adoption of FASB ASU 2016-02, *Leases* (Topic 842) as of January 1, 2022 (See Note 2O).
- J. For the years ended December 31, 2022 and 2021, Ascendus recorded the fair value of noncash contributions amounting to \$30,091 and \$78,933, respectively. Such amounts are included as noncash contributions in-kind in the accompanying statements of activities and professional fees in the statements of functional expenses.

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2022:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor-imposed Restrictions	Fair Value Techniques
Legal services	\$ 30,091	Micro lending and management and general	No associated donor restriction	Based on current rates of services provided by law firm

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2021:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor-imposed Restrictions	Fair Value Techniques
Legal services	\$ 78,933	Micro lending and management and general	No associated donor restriction	Based on current rates of services provided by law firm

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. 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 principally 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.
- L. 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. No special events were held during the years ended December 31, 2022 and 2021.
- M. 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.
- N. 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.
- O. FASB Accounting Standards Update ("ASU") 2020-07, (*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*), was adopted by Ascendus for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by the not-for-profit organizations including transparency on how those assets are used and how they are valued. The adoption of ASU 2020-07 did not have a material impact on Ascendus' financial statements.

FASB ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under *Topic 840, Leases*, was adopted during the year ended December 31, 2022. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for operating leases on the statement of financial position. Ascendus elected to adopt Topic 842 effective January 1, 2022 and utilized all of the available practical expedients. The adoption did not have a material impact on Ascendus' statements of financial position or statements of activities. The adoption of the standard resulted in Ascendus recording an operating lease ROU asset of \$66,943, and lease liabilities of \$66,575 as of January 1, 2022.

FASB 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, will be adopted by Ascendus for the year ending December 31, 2023. ASU 2016-13 requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022, Ascendus had working capital of approximately \$36 million, including \$7.7 million of undrawn revolvers, and a current ratio of 5.5x. At 2022 year-end, cash and cash equivalents of approximately \$16.1 million represented 18 months' of cash on hand based on the 2023 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 16,129,788	\$ 20,758,617
Contributions and grants receivable	2,398,670	1,465,758
Interest on loans receivable	154,232	141,272
Loans receivable, net	<u>17,299,175</u>	<u>19,468,232</u>
 Total financial assets at year-end	 35,981,865	 41,833,879
 Less: Contributions and grants receivable due in over one year	 -	 (100,000)
Less: Net loans receivable due in over one year	<u>(13,974,554)</u>	<u>(12,961,263)</u>
 Total financial assets at year-end available for general expenditures	 <u>\$ 22,007,311</u>	 <u>\$ 28,772,616</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.

NOTE 4 – LOANS RECEIVABLE, NET

Loans receivable consists of microloans (up to \$50,000), Participation loans (up to \$250,000), SBA Paycheck Protection Program ("PPP") loans and SBA CA loans (\$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 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, 2022 and 2021, Ascendus generated approximately \$0 and \$4 million, 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.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – LOANS RECEIVABLE, NET (Continued)

Loans receivable as of December 31, 2022 and 2021, include the following:

	<u>December 31, 2022</u>			
	<u>Microloans</u>	<u>SBA PPP Loans</u>	<u>SBA CA Loans</u>	<u>Total</u>
Total portfolio managed	\$ 55,676,452	\$ 699,323	\$ 3,289,363	\$ 59,665,138
Less: Participation loans sold ⁽¹⁾	<u>(38,303,091)</u>	<u>-</u>	<u>(2,453,238)</u>	<u>(40,756,329)</u>
Total loans receivable	17,373,361	699,323	836,125	18,908,809
Less: allowance for uncollectible loans	<u>(1,499,869)</u>	<u>-</u>	<u>(109,765)</u>	<u>(1,609,634)</u>
Loans receivable, net	<u>\$ 15,873,492</u>	<u>\$ 699,323</u>	<u>\$ 726,360</u>	<u>\$ 17,299,175</u>

	<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 ⁽¹⁾	<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>

(1) Represents the balance outstanding of loan participations owned by third parties. In 2022, Ascendus sold participations in 488 loans for a total of \$27.3 million. In 2021, Ascendus sold participations in 431 loans for a total of \$14.9 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, 2022 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Microloans	\$ 160,403	\$ 28,848	\$ 189,251	\$ 17,184,110	\$ 17,373,361
SBA PPP loans	349,096	-	349,096	350,227	699,323
SBA CA loans	<u>11,648</u>	<u>227,992</u>	<u>239,640</u>	<u>596,485</u>	<u>836,125</u>
Loans receivable	<u>\$ 521,147</u>	<u>\$ 256,840</u>	<u>\$ 777,987</u>	<u>\$ 18,130,822</u>	<u>\$ 18,908,809</u>

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>

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – LOANS RECEIVABLE, NET (Continued)

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

	<u>2022</u>	<u>2021</u>
Restructured loans receivable	\$ 16,344	\$ 23,462
Less: allowance for uncollectible loans	<u>(1,062)</u>	<u>(1,525)</u>
	<u>\$ 15,282</u>	<u>\$ 21,937</u>

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

	<u>2022</u>	<u>2021</u>
Balance beginning of year	\$ 1,177,577	\$ 2,337,142
Provision (recovery) for loan losses	956,523	(236,406)
Loans written-off	<u>(524,466)</u>	<u>(923,159)</u>
	<u>\$ 1,609,634</u>	<u>\$ 1,177,577</u>

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

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 3,324,621	\$ 6,506,969
Due in over one year	<u>13,974,554</u>	<u>12,961,263</u>
	<u>\$ 17,299,175</u>	<u>\$ 19,468,232</u>

The SBA allows the sale of the guaranteed portion of the CA loan on the secondary market. During 2022 and 2021, Ascendus realized a (loss) gain on the sale of the participated interest of \$(28,409) and \$22,885, 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>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 31,385	\$ 31,385	5 - 10 years
Capitalized hardware and software	1,133,066	1,107,612	3 - 5 years
Furniture, fixtures and equipment	<u>175,265</u>	<u>175,266</u>	3 - 5 years
Total cost	1,339,716	1,314,263	
Less: accumulated depreciation and amortization	<u>(1,211,839)</u>	<u>(1,087,098)</u>	
Net book value	<u>\$ 127,877</u>	<u>\$ 227,165</u>	

Depreciation and amortization expense amounted to \$124,741 and \$162,667 for the years ended December 31, 2022 and 2021, respectively.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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:

	2022	2021
<u>Notes payable – secured</u>		
Secured borrowing with SBA and Federal Reserve Bank, secured by program-funded loans, bearing fixed annual interest rates ranging from 0% to 1.63% and ten-year maturities	\$ 3,480,964	\$ 14,042,036
<u>Notes payable – unsecured</u>		
Maturity terms range from one to six years, bearing fixed annual interest rates from 1% to 4%	9,123,080	8,587,201
	12,604,044	22,629,237
<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%	5,500,000	3,500,000
Total notes payable and subordinated debt	\$ 18,104,044	\$ 26,129,237

Future annual principal payments due are as follows:

Years ending December 31:	Amount
2023	\$ 2,976,036
2024	619,444
2025	4,959,755
2026	1,156,753
2027	3,025,000
Thereafter	5,367,056
Total	\$ 18,104,044

Interest expense was \$360,879 and \$442,515 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN

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 accounted 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 as a gain resulting from the forgiveness upon legal release of its obligation from the bank.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 – LEASES

Ascendus leases space in New York and Orlando expiring on July 31, 2023 and June 1, 2026, respectively. As of January 1, 2022, Ascendus adopted FASB ASC 842 for the Orlando operating lease. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and the for the year ended December 31, 2021 (i.e., ASC 840). No comparative information is provided for the amounts reported on the statement of financial position as of December 31, 2021 since Ascendus used the modified retrospective method of transition that does not require restating the prior period.

As of December 31, 2022, the ROU asset had a balance of \$52,353 and the lease liability totaled \$52,611 as shown in the statements of financial position. The ROU asset and lease liability were calculated utilizing the risk free discount rate of 1.37%.

Total operating lease costs for the years ended December 31, 2022 and 2021 were \$16,356 and \$13,923, respectively. Total cash paid by Ascendus in the determination of the lease liability was \$14,706 for the year ended December 31, 2022. For the year ended December 31, 2022, the weighted average of the remaining lease term is 3.5 years, and the weighted average discount rate is 1.37%.

Future minimum lease payments are due as follows for the years ending after December 31, 2022:

2023	\$ 15,056
2024	15,306
2025	15,606
2026	<u>7,953</u>
	53,921
Less: Present value discount	<u>(1,310)</u>
Present value of lease liability	<u>\$ 52,611</u>

Total rent expense of \$253,813 and \$235,737, for both New York and Orlando leases, was included in office and occupancy expenses in the accompanying statements of functional expenses for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

- A. Ascendus believes it has no uncertain tax positions as of December 31, 2022 and 2021 in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. Ascendus has six revolving lines of credit available for drawdowns with various banks in the amounts ranging from \$500,000 to \$4.4 million, that totaled \$14.9 million at December 31, 2022. The interest rates on the lines as of December 31, 2022 range from 1% to 4%. The maturity dates of the agreements range from 2023 to 2032. As of December 31, 2022, there was \$7,235,419 in borrowings under the lines of credit, and they are included in notes payable on the accompanying statements of financial position. As of May 30, 2023, there was \$14,735,419 in borrowings under the lines of credit.

ASCENDUS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Program Support:		
Microlending and Financial Education	\$ 4,176,532	\$ 2,234,000
Lending Capital:		
Revolving grant funds that enable greater lending innovation for impact	<u>1,825,000</u>	<u>1,593,442</u>
Total	<u>\$ 6,001,532</u>	<u>\$ 3,827,442</u>

Net assets with donor restrictions of \$2,725,277 and \$3,906,982 for the years ended December 31, 2022 and 2021, respectively, were released from donor restrictions by incurring expenditures satisfying the restricted purposes specified by the donors or the passage of time.

NOTE 11 – 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, 2022 and 2021, there were approximately \$19,254,000 and \$23,507,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Management manages the risk by communicating with depository banks, monitor ratios/call reports and press communications. In addition, levels of expose above the FDIC levels are monitored and due diligence applied when the level is exceeded.
- B. In 2022, contributions from one donor represented 31% of total contribution revenues. In 2021, contributions from one donor represented 25% of total contribution revenue and PPP related program fees accounted for 83% of program fee revenue.

NOTE 12 – 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 made contributions of \$52,997 and \$0 into the retirement savings for years ended December 31, 2022 and 2021, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 30, 2023, the date the financial statements were available to be issued.

Subsequent to year end, Ascendus entered into a new office space lease in New York for a term of 3 years expiring April 30, 2026.