

ASSETS LANCASTER

Consolidated Financial Statements

Year Ended June 30, 2020

ASSETS LANCASTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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BERTZ, HESS & CO., LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

ASSETS Lancaster

Lancaster, Pennsylvania

We have audited the accompanying consolidated financial statements of ASSETS Lancaster (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

To the Board of Directors
ASSETS Lancaster
Lancaster, Pennsylvania

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASSETS Lancaster and subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bertz, Hess & Co., LLP

BERTZ, HESS & CO., LLP
Lancaster, Pennsylvania
February 15, 2021

ASSETS LANCASTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash	\$ 657,116	\$ 740,008
Accounts receivable	39,419	40,590
Notes receivable, microloans (net of allowance for uncollectible accounts of \$17,423 and \$10,683 for 2020 and 2019, respectively)	127,243	61,683
Grants receivable	37,500	23,442
Interest receivable	250	-
Unconditional promises to give	15,500	6,401
Prepaid expenses	5,148	6,863
Total Current Assets	882,176	878,987
PROPERTY AND EQUIPMENT, At Cost		
Office furniture	31,606	31,606
Computer equipment	39,236	53,702
Less accumulated depreciation	(48,011)	(53,551)
Net Property and Equipment	22,831	31,757
OTHER ASSETS		
Loan capital participation receivable	200,000	-
Notes receivable, microloans, long-term	132,170	121,136
Total Other Assets	332,170	121,136
TOTAL ASSETS	\$ 1,237,177	\$ 1,031,880

See notes to financial statements.

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
Notes payable	\$ 199,674	\$ 81,367
Line of credit	-	130,000
Accounts payable	19,140	14,773
Escrow payable	4,640	5,374
Accrued payroll	63,366	46,558
Compensated absences	26,375	19,466
Total Current Liabilities	313,195	297,538
LONG TERM LIABILITIES		
Notes payable	301,220	180,267
TOTAL LIABILITIES	614,415	477,805
NET ASSETS		
Without donor restrictions	114,804	(53,012)
With donor restrictions	507,958	607,087
TOTAL NET ASSETS	622,762	554,075
TOTAL LIABILITIES AND NET ASSETS	\$ 1,237,177	\$ 1,031,880

ASSETS LANCASTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Totals
PUBLIC SUPPORT AND OTHER INCOME			
Government Grants			
City grants	\$ 5,000	\$ -	\$ 5,000
Federal grants	344,236	20,980	365,216
Contributions and Other Grants			
Foundation grants	311,500	-	311,500
Corporate contributions	114,606	-	114,606
Individual contributions	142,948	-	142,948
In-kind contributions	1,319	-	1,319
Other Income			
Program income	1,125,707	-	1,125,707
Interest income	18,363	-	18,363
Miscellaneous income	1,403	-	1,403
Total Public Support and Other Income	2,065,082	20,980	2,086,062
EXPENSES			
Program services	1,734,426	-	1,734,426
Management and general	179,195	-	179,195
Fundraising	103,754	-	103,754
Total Expenses	2,017,375	-	2,017,375
TOTAL PUBLIC SUPPORT AND OTHER INCOME IN EXCESS (DEFICIENCY) OF EXPENSES	47,707	20,980	68,687
OTHER CHANGES IN NET ASSETS			
Net assets released from restrictions	120,109	(120,109)	-
CHANGE IN NET ASSETS	\$ 167,816	\$ (99,129)	\$ 68,687
NET ASSETS, BEGINNING	\$ (53,012)	\$ 607,087	\$ 554,075
Change in Net Assets	167,816	(99,129)	68,687
NET ASSETS, ENDING	\$ 114,804	\$ 507,958	\$ 622,762

See notes to financial statements.

ASSETS LANCASTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Totals
PUBLIC SUPPORT AND OTHER INCOME			
Government Grants			
City grants	\$ 5,000	\$ -	\$ 5,000
Federal grants	239,550	441,378	680,928
Contributions and Other Grants			
Foundation grants	193,728	-	193,728
Corporate contributions	160,988	-	160,988
Individual contributions	148,377	-	148,377
Other Income			
Program income	336,750	-	336,750
Interest income	<u>7,326</u>	<u>-</u>	<u>7,326</u>
Total Public Support and Other Income	1,091,719	441,378	1,533,097
EXPENSES			
Program services	1,070,079	-	1,070,079
Management and general	182,277	-	182,277
Fundraising	<u>97,260</u>	<u>-</u>	<u>97,260</u>
Total Expenses	1,349,616	-	1,349,616
TOTAL PUBLIC SUPPORT AND OTHER INCOME IN EXCESS (DEFICIENCY) OF EXPENSES	(257,897)	441,378	183,481
OTHER CHANGES IN NET ASSETS			
Net assets released from restrictions	253,590	(253,590)	-
CHANGE IN NET ASSETS	\$ (4,307)	\$ 187,788	\$ 183,481
NET ASSETS, BEGINNING	\$ (48,705)	\$ 419,299	\$ 370,594
Change in Net Assets	<u>(4,307)</u>	<u>187,788</u>	<u>183,481</u>
NET ASSETS, ENDING	\$ (53,012)	\$ 607,087	\$ 554,075

See notes to financial statements.

ASSETS LANCASTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	2020 Totals
Wages	\$ 505,354	\$ 128,471	\$ 64,235	\$ 698,060
Health insurance	37,084	10,595	5,298	52,977
Payroll taxes	34,821	9,949	4,974	49,744
Retirement plan contributions	8,634	2,467	1,234	12,335
Contract labor	845,791	-	-	845,791
Staff development and travel	9,728	2,780	1,390	13,898
Depreciation	-	12,000	-	12,000
Bad debt expense	16,364	-	-	16,364
Interest expense	9,684	-	-	9,684
Repairs and maintenance	12,426	-	3,107	15,533
Insurance	10,612	3,032	1,516	15,160
Telephone	2,880	823	412	4,115
Utilities	10,398	2,971	1,485	14,854
Program expenses	100,031	-	-	100,031
Program development	37,553	-	9,775	47,328
Miscellaneous	-	-	302	302
Office expense	41,958	-	6,972	48,930
Postage	471	-	-	471
Professional fees	15,520	4,434	2,217	22,171
Consulting	29,260	-	-	29,260
Administrative expenses	3,091	883	442	4,416
Registration and memberships	2,766	790	395	3,951
Total Expenses	\$ 1,734,426	\$ 179,195	\$ 103,754	\$ 2,017,375

See notes to financial statements.

ASSETS LANCASTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	2019 Totals
Wages	\$ 447,074	\$ 125,362	\$ 62,681	\$ 635,117
Health insurance	42,262	12,075	6,037	60,374
Payroll taxes	36,830	10,523	5,261	52,614
Retirement plan contributions	8,606	2,459	1,229	12,294
Contract labor	220,884	-	-	220,884
Staff development and travel	13,067	3,733	1,867	18,667
Depreciation	-	12,032	-	12,032
Bad debt expense	12,980	-	-	12,980
Interest expense	8,571	-	-	8,571
Repairs and maintenance	11,146	-	2,787	13,933
Insurance	9,414	2,690	1,345	13,449
Telephone	1,958	560	280	2,798
Utilities	14,157	4,045	2,023	20,225
Program expenses	73,491	-	-	73,491
Program development	38,132	-	3,497	41,629
Miscellaneous	-	-	293	293
Office expense	31,485	-	5,560	37,045
Postage	166	-	-	166
Professional fees	17,495	4,998	2,499	24,992
Consulting	69,060	-	-	69,060
Administrative expenses	9,383	2,681	1,341	13,405
Registration and memberships	3,918	1,119	560	5,597
Total Expenses	\$ 1,070,079	\$ 182,277	\$ 97,260	\$ 1,349,616

See notes to financial statements.

ASSETS LANCASTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 68,687	\$ 183,481
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	12,000	12,032
(Increase) decrease in:		
Accounts receivable	1,171	(14,102)
Notes receivable, microloans (net of allowance for uncollectible accounts)	(76,594)	(96,201)
Grants receivable	(14,058)	(23,442)
Interest receivable	(250)	-
Unconditional promises to give	(9,099)	15,600
Prepaid expenses	1,715	(641)
Loan capital participation receivable	(200,000)	-
Increase (decrease) in:		
Accounts payable	4,367	(18,478)
Escrow payable	(734)	3,465
Accrued payroll	16,808	21,135
Compensated absences	6,909	6,001
Cash (Used) Provided by Operating Activities	(189,078)	88,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,074)	(1,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (repayments) on line of credit, net	(130,000)	130,000
Payments on long-term debt	(14,263)	(13,889)
Proceeds from long-term debt	253,523	100,000
Cash Provided by Financing Activities	109,260	216,111
NET (DECREASE)/INCREASE IN CASH	(82,892)	303,000
Cash at Beginning of Year	740,008	437,008
Cash at End of Year	\$ 657,116	\$ 740,008
SCHEDULE OF SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 9,684	\$ 8,571

See notes to financial statements.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1: ORGANIZATION DATA

ASSETS Lancaster (the "Organization") is a nonprofit organization whose purpose is to create economic opportunity and cultivate entrepreneurial leadership to alleviate poverty and build vibrant, sustainable communities. The Organization does this by providing business development services including training, mentoring, technical assistance and lending to underrepresented entrepreneurs and social enterprises in South Central Pennsylvania, with a focus on Lancaster County and Lancaster City. The Organization was incorporated as a Pennsylvania not-for-profit corporation in October 1995.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Principles of Consolidation

The consolidated financial statements of ASSETS Lancaster and subsidiary include the accounts of ASSETS Lancaster and its wholly owned subsidiary Lancaster Works at ASSETS, LLC. ASSETS Lancaster and its subsidiary entity are referred to collectively as the "Organization." All significant financial activity between ASSETS Lancaster and its wholly owned subsidiary is eliminated in the preparation of the consolidated financial statements.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net Assets With Donor Restrictions

The use of net assets with donor restrictions is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless they are restricted by donor-imposed stipulations. Expenses are generally reported as decreases in net assets without donor restrictions. Satisfaction of donor-imposed stipulations that simultaneously increase net assets without donor restrictions and decrease net assets with donor restrictions are reported as reclassifications. Donor restricted revenue received and expended during the same fiscal year is recorded as revenue without donor restrictions in the consolidated statement of activities.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

For purposes of reporting the consolidated statement of cash flows, the Organization considers all cash accounts which are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash.

Loan Capital Participation Receivable

During the year ended June 30, 2020, the Organization provided funding of \$200,000 to another not-for-profit organization, Community First Fund, as part of the Lancaster City Small Business Emergency Fund. The Organization will be repaid on this loan capital participation receivable when loans are repaid in full to Community First Fund.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at approximate fair value at the date of donation. The Organization capitalizes property and equipment costing in excess of \$500. Expenditures for maintenance and repairs that materially improve or extend the life of assets are also capitalized.

Depreciation of property and equipment is computed on the straight-line method. Estimated lives are generally as follows:

Office furniture	5 years
Computer equipment	5 to 7 years

Depreciation expense for the years ended June 30, 2020 and 2019 was \$12,000 and \$12,032, respectively.

Contributed Services

A number of unpaid volunteers have made significant contributions of time to the Organization for the purpose of providing training, mentoring and technical assistance to the entrepreneurs in the Organization's development courses. In accordance with the accrual basis of accounting described above, the Organization has not recorded the value of these contributed services in the accompanying financial statements.

Functional Allocation of Expenses

Direct expenses are assigned to the functional expense classifications to which they apply. Management, overhead, and general and administrative costs which are not identifiable with a single program or fund-raising activity, but are indispensable to the conduct of those activities and to the Organization's existence, are allocated to those program and supporting services which benefit from the expenses. The allocation percentages are reviewed annually for reasonableness.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Organization is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code.

Tax returns are open for examination by the Internal Revenue Service for three years from the due date of the returns. The tax years subject to examination by the state jurisdiction are unlimited. The Organization has evaluated its tax filings for the open tax years for uncertain tax positions.

Management's Evaluation of Subsequent Events

Events that occurred subsequent to June 30, 2020 have been evaluated by the Organization's management through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 3: CONCENTRATIONS

Credit Risk

The Organization maintains its cash at financial institutions located in South Central Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA), both up to \$250,000. The Organization had balances in excess of the FDIC or NCUA insurance limits of \$48,823 and \$222,989 at June 30, 2020 and June 30, 2019, respectively.

Support and Revenue

During the year ended June 30, 2020, approximately 16% of total public support and other income was attributable to one grantor. During the year ended June 30, 2019, approximately 38% of total public support and other income was attributable to two grantors.

Notes Receivable

During the year ended June 30, 2019, microloan notes receivable from one borrower comprised 10% of total gross notes receivable. No borrower concentrations were noted for the year ended June 30, 2020.

NOTE 4: NOTES RECEIVABLE, MICROLOANS

The Organization provides notes receivable in the form of microloans in the following categories:

Small Business Loans

Small Business Loans provide funding between \$600 and \$10,000 to new and existing small business owners. Certain participants provide an initial escrow deposit equal to one month's loan payment as a guarantee for all loans within that loan pool, which creates a model that induces mutual responsibility for members of the loan pool. These loans bear interest at rates of 8.5% and have various maturity dates through January 2023.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4: NOTES RECEIVABLE, MICROLOANS (Continued)

Social Impact Loans

Social Impact Loans provide funding between \$10,000 and \$50,000 to established small business owners who are committed to becoming B-Corporation certified within 12 months of receiving Social Impact Loan funding. Social Impact Loans are unsecured and have various maturity dates through August 2023. The microloans issued during the year ended June 30, 2020 bear interest at rates between 8.5% and 9.0% for the year ended June 30, 2020. Loans issued prior to July 1, 2019 bear interest at rates between 4.0% and 8.5%.

Balances of notes receivable by category of program as of June 30, 2020 and 2019 are as follows:

	2020	2019
Small Business Loans	\$ 57,349	\$ 46,211
Social Impact Loans, unsecured	219,487	147,291
Subtotal	276,836	193,502
Less: Loan loss reserve	(17,423)	(10,683)
Total	\$ 259,413	\$ 182,819

Maturities of loans receivable are as follows at June 30:

2021	\$ 144,666
2022	73,591
2023	44,559
2024	9,848
2025	4,172
Total	\$ 276,836

Changes to the loan loss reserve for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Beginning Balance	\$ 10,683	\$ 9,500
Provision for loan losses	8,084	1,946
Write-off of uncollectible loans, net of recoveries	(1,344)	(763)
Ending Balance	\$ 17,423	\$ 10,683

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4: NOTES RECEIVABLE, MICROLOANS (Continued)

Credit Losses

The Organization maintains a cash reserve for loan losses as follows:

- An escrow account is made up of one months' payment from certain notes receivable as noted above for a total of 4.66% and 4.72% of all guaranteed loans outstanding as of June 30, 2020 and 2019, respectively. Other notes receivable are unsecured.
- The Organization maintains additional cash reserves to total at least 15% of all loans outstanding as a cash reserve against potential losses.

Loans determined to be uncollectible are charged to the escrow account during the period in which such determination is made. The Organization makes periodic credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience and other factors to determine whether to write off a loan. During the years ended June 30, 2020 and 2019, the Organization wrote off \$1,344 and \$1,363 of loans as uncollectible, respectively. As of June 30, 2020 and 2019, the Organization held \$4,640 and \$5,374, respectively, in escrow.

Credit Quality Considerations

The Organization provides micro-lending to new business entrepreneurs who may not possess the credit history required to qualify for bank financing. Therefore, the credit policies may result in more risks than traditionally used by banks and other financial institutions. The Organization does not measure credit quality in accordance with standards such as those ratings identified in Moody's Investor Services. Credit quality indicators and related risk ratings are updated for individual borrowers on an as-needed basis and at least annually at year-end.

The Organization has utilized the following risk assessment model to estimate its allowance for credit losses as of June 30, 2020:

Risk Category	Loan Balances	Reserve Percentage	Reserve Amount
Very low	\$ 76,128	2.50%	\$ 1,903
Low	79,600	5.00%	3,980
Moderate	36,024	7.50%	2,702
High	85,084	Various	8,838
Total	\$ 276,836		\$ 17,423

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5: UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recognized as revenues in the period promised. Unconditional promises to give that are expected to be collected within one year are recorded at the anticipated collectible value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. At June 30, 2020 and 2019, all promises to give are expected to be collected within one year and are therefore not discounted. Management anticipates the pledges to be fully collectible. Unconditional promises to give are reported as increases in donor restricted net assets depending upon the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. As of June 30, 2020 and 2019, unconditional promises to give were \$15,500 and \$6,401, respectively.

NOTE 6: COMPENSATED ABSENCES

Full-time employees of the Organization are entitled to paid time off depending on length of service and other factors. The Organization allows full-time employees to carry a balance of 30 days of paid time off from the prior year. At June 30, 2020 and 2019, the liability for compensated absences amounted to \$26,375 and \$19,466, respectively.

NOTE 7: LINE OF CREDIT

The Organization has a \$200,000 line of credit with a local financial institution. The loan is secured by accounts receivable, inventory, general intangibles and property and equipment. The interest rate is based on the bank's prime rate, subject to a floor of 5.50%. The applicable interest rate in effect was 5.5% at June 30, 2020 and 6.5% at June 30, 2019. The Organization had a balance on the line of credit of \$0 and \$130,000 at June 30, 2020 and June 30, 2019 respectively.

The Organization's subsidiary, Lancaster Works at ASSETS, LLC, entered into a \$100,000 line of credit with a local financial institution in October 2019. The line of credit is secured by a money market account held by ASSETS Lancaster as well as accounts receivable, inventory, general intangibles and property and equipment of Lancaster Works at ASSETS, LLC. ASSETS Lancaster is also a guarantor on this line of credit. The interest rate is based on the bank's prime rate plus 0.50% subject to a floor of 4.50%. The applicable interest rate in effect was 4.50% at June 30, 2020. There was no balance on this line of credit as of June 30, 2020.

NOTE 8: NOTES PAYABLE

The Organization has an unsecured note payable from an individual in the amount of \$30,000. The rate of interest is based upon announcements published in the Wall Street Journal. The interest rate was 3.25% and 5.50% as of June 30, 2020 and 2019, respectively. The note is payable within 60 days upon demand. Total interest of \$1,613 was paid on this loan during the year ended June 30, 2020.

During the year ended June 30, 2018, the Organization obtained an unsecured non-interest-bearing note payable from a local government for \$30,940. No discount has been recognized on this note. Management believes this departure from generally accepted accounting principles is immaterial to the consolidated financial statements taken as a whole. The loan is payable upon demand within 90 days of receiving written notice from the payee.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8: NOTES PAYABLE (Continued)

In August 2016, the Organization obtained a SBA micro-lending loan note payable with a maximum amount of \$125,000. Proceeds for the note payable must be used to relend to eligible small business concerns. The note is payable 120 months from the date of the note, with variable interest accruing between 0% and 1.125% per annum, based on certain performance criteria within the portfolio. During the first 24 months, the interest rate on the note payable will be 0%. No payments of principal are required during the first 12 months on the note payable. The note payable is secured by all funds held in the Microloan Revolving Fund, a security interest in all funds held in the Loan Loss Reserve Fund, and in all microloans made as a result of funding received under the Microloan Program. At June 30, 2020 and 2019, the balance on this note payable was \$90,278 and \$100,694, respectively.

In August 2018, the Organization obtained a SBA micro-lending loan note payable with a maximum amount of \$100,000. Proceeds for the note payable must be used to relend to eligible small business concerns. The note is payable 120 months from the date of the note, with variable interest accruing between 0.75% and 2.75% per annum, based on certain performance criteria within the portfolio. During the first 24 months, the interest rate on the note payable will be 0.75%. No payments of principal are required during the first 12 months on the note payable. The note payable is secured by all funds held in the Microloan Revolving Fund, a security interest in all funds held in the Loan Loss Reserve Fund, and in all microloans made as a result of funding received under the Microloan Program. At June 30, 2020 and 2019, the balance on this note payable was \$96,153 and \$100,000, respectively.

During April 2020, ASSETS Lancaster and its subsidiary, Lancaster Works at ASSETS, LLC, received Payroll Protection Program (PPP) loans from the SBA in the amounts of \$135,500 and \$118,023, respectively. PPP loans and accrued interest are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. The Organization intends to use the loan proceeds for purposes consistent with the PPP and apply for forgiveness within ten months of the end of the covered period.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8: NOTES PAYABLE (Continued)

Notes payable consist of the following at June 30, 2020 and 2019:

	2020		2019	
	Balance	Current Portion	Balance	Current Portion
Note payable, individuals, unsecured	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Note payable, governmental agency, unsecured	30,940	30,940	30,940	30,940
Notes payable, governmental agency, unsecured	253,523	112,208	-	-
Notes payable, governmental agency, secured	186,431	26,526	200,694	20,427
Total notes payable	500,894	<u>\$ 199,674</u>	261,634	<u>\$ 81,367</u>
Less Current Portion	<u>199,674</u>		<u>81,367</u>	
Total Long-Term Debt	<u>\$ 301,220</u>		<u>\$ 180,267</u>	

Maturities of notes payable are as follows at June 30:

2021	\$ 199,674
2022	166,196
2023	24,963
2024	25,047
2025	25,131
Thereafter	59,883
Total	<u>\$ 500,894</u>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	2020	2019
Wyomissing Foundation	\$ -	\$ 38,305
SBA Women's Business Center	17,364	13,379
COVID-19 funding	3,616	-
Community Development Financial Institution	486,978	555,403
Total net assets with donor restrictions	<u>\$ 507,958</u>	<u>\$ 607,087</u>

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Wyomissing Foundation represents a grant of \$44,000 for two years to support a two year Credit-Building Circle Pilot in Reading, Pennsylvania. The initial \$22,000 was received in 2017, with a second \$22,000 issued upon meeting certain criteria of the grant.

The SBA Women's Business Center represents grants of \$150,000 and \$157,278 for the years ended June 30, 2020 and 2019, respectively, for the purposes of providing business services to women-owned businesses.

The Community Development Financial Institution represents grants of \$428,000 and \$350,000 for the years ended June 30, 2019 and 2018, respectively, to support the expansion of the Organization's microlending.

NOTE 10: PROGRAM AND MISCELLANEOUS INCOME

ASSETS Lancaster generates program income through entrepreneur training programs and consulting with various community organizations. Its wholly-owned subsidiary, Lancaster Works at ASSETS, LLC, generates program income through job placements.

Detail of program income for the years ended June 30 is as follows:

	2020	2019
ASSETS Lancaster	\$ 140,826	\$ 64,183
Lancaster Works at ASSETS, LLC	984,881	272,567
	<u>\$ 1,125,707</u>	<u>\$ 336,750</u>

ASSETS Lancaster and Lancaster Works at ASSETS, LLC also generate certain non-program service items which are considered to be other income.

Detail of other income for the years ended June 30 is as follows:

	2020	2019
ASSETS Lancaster	\$ 1,353	\$ -
Lancaster Works at ASSETS, LLC	50	-
	<u>\$ 1,403</u>	<u>\$ -</u>

NOTE 11: RETIREMENT PLAN

The Organization has a SIMPLE IRA retirement plan for employees. The plan provides a matching benefit of up to 3% of employee contributions. In March 2017, the Organization began an additional 2% SIMPLE IRA match program for employees. Total retirement plan expense for the years ended June 30, 2020 and 2019 was \$12,335 and \$12,294, respectively.

ASSETS LANCASTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12: OPERATING LEASES

The Organization has a lease for a copier with a monthly payment of \$151 for a lease term from November 2017 to October 2022. Total lease expense for each of the years ended June 30, 2020 and 2019 was \$2,003 and is included in office expense in the statement of functional expenses.

The approximate remaining annual minimum lease payments under non-cancellable operating leases existing as of June 30, 2020 for each of the years ended June 30 are:

2021	\$	1,812
2022		1,812
2023		604
<hr/>		
Total	\$	4,228

NOTE 13: RELATED PARTY TRANSACTIONS

For the years ended June 30, 2020 and 2019, one member of the Board of Directors is an employee of the financial institution where the Organization maintains certain cash balances and its line of credit.

For the year ended June 30, 2020, one member of the Board of Directors is an employee of the financial institution where the Organization maintains certain cash balances and which services certain of the Organization's notes receivable.

For the year ended June 30, 2020, the Organization received donations from one board member totaling \$12,520. For the year ended June 30, 2019, the Organization received donations from two board members totaling \$19,845.

For the years ended June 30, 2020 and 2019, an employee of the Organization is also employed by a loan borrower. The balance of the loan amount owed to the Organization is \$14,051 and \$18,567 as of June 30, 2020 and 2019, respectively.

NOTE 14: LANCASTER WORKS AT ASSETS, LLC

The Organization is the 100% owner of Lancaster Works at ASSETS, LLC, a for-profit limited liability company whose services include contract and temporary-to-permanent job placements, payroll services, and executive recruiting. Lancaster Works at ASSETS, LLC operates as a B-Corporation staffing agency. The consolidated financial statements of ASSETS Lancaster include the accounts of Lancaster Works at ASSETS, LLC.

ASSETS LANCASTER
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15: LIQUIDITY

The Organization's current financial assets as of June 30 are as follows:

	2020	2019
Cash	\$ 657,116	\$ 740,008
Accounts receivable	39,419	40,590
Notes receivable, microloans	127,243	61,683
Grants receivable	37,500	23,442
Unconditional promises to give	15,500	6,401
<u>Financial assets, at year-end</u>	<u>\$ 876,778</u>	<u>\$ 872,124</u>

The following reflects the Organization's financial assets as of June 30 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	2020	2019
Financial assets, at year-end	\$ 876,778	\$ 872,124
Less those unavailable for general expenditures within one year due to:		
Donor restrictions	(507,958)	(607,087)
Cash collateralizing secured debt	(100,805)	(150,413)
Notes receivable collateralizing secured debt	(51,539)	(34,128)
<u>Financial assets available for general expenditures within one year</u>	<u>\$ 216,476</u>	<u>\$ 80,496</u>