

**ASSETS LANCASTER AND SUBSIDIARY**

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**Consolidated Financial Statements**

**Year Ended June 30, 2021**

ASSETS LANCASTER AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

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TABLE OF CONTENTS

---

Independent Auditors' Report

Consolidated Statements of Financial Position Pages 4-5

Consolidated Statements of Activities Pages 6-7

Consolidated Statements of Functional Expenses Page 8-9

Consolidated Statements of Cash Flows Page 10

Notes to Consolidated Financial Statements Pages 11-21

# 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 (collectively, "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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.

**Adoption of New Accounting Standards**

As discussed in Note 2, the Organization adopted the new accounting guidance required by the Financial Accounting Standards Board's Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Our opinion is not modified with respect to this matter.

*Bertz, Hess & Co., LLP*

BERTZ, HESS & CO., LLP  
Lancaster, Pennsylvania  
February 17, 2022

ASSETS LANCASTER AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
<b>CURRENT ASSETS</b>		
Cash	\$ 1,083,365	\$ 657,116
Contract receivables	42,235	39,419
Notes receivable, microloans (net of allowance for uncollectible accounts of \$4,096 and \$17,423 for 2021 and 2020, respectively)	53,077	127,243
Grants receivable	200,000	37,500
Interest receivable	-	250
Unconditional promises to give	500	15,500
Prepaid expenses	<u>1,705</u>	<u>5,148</u>
<b>Total Current Assets</b>	<b>1,380,882</b>	<b>882,176</b>
<b>PROPERTY AND EQUIPMENT, At Cost</b>		
Office furniture	31,606	31,606
Computer equipment	54,216	39,236
Vehicles	125,706	-
Less accumulated depreciation	<u>(74,392)</u>	<u>(48,011)</u>
<b>Net Property and Equipment</b>	<b>137,136</b>	<b>22,831</b>
<b>OTHER ASSETS</b>		
Loan capital participation receivable	200,000	200,000
Notes receivable, microloans, long-term	<u>37,052</u>	<u>132,170</u>
<b>Total Other Assets</b>	<b>237,052</b>	<b>332,170</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,755,070</b>	<b>\$ 1,237,177</b>

See notes to financial statements.

LIABILITIES AND NET ASSETS	2021	2020
CURRENT LIABILITIES		
Notes payable	\$ 209,233	\$ 199,674
Accounts payable	92,204	19,140
Escrow payable	2,997	4,640
Accrued payroll	52,470	63,366
Compensated absences	24,901	26,375
Total Current Liabilities	381,805	313,195
LONG TERM LIABILITIES		
Notes payable	288,860	301,220
TOTAL LIABILITIES	670,665	614,415
NET ASSETS		
Without donor restrictions	408,927	114,804
With donor restrictions	675,478	507,958
TOTAL NET ASSETS	1,084,405	622,762
TOTAL LIABILITIES AND NET ASSETS	\$ 1,755,070	\$ 1,237,177

ASSETS LANCASTER AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
<b>PUBLIC SUPPORT AND OTHER INCOME</b>			
Government Grants			
State and local grants	\$ 159,300	\$ -	\$ 159,300
Federal grants	241,682	200,000	441,682
Contributions and Other Grants			
Foundation grants	364,700	-	364,700
Corporate contributions	125,593	-	125,593
Individual contributions	134,675	-	134,675
Other Income			
Program income	1,267,610	-	1,267,610
Interest income	16,853	-	16,853
Miscellaneous income	<u>270,166</u>	<u>-</u>	<u>270,166</u>
<b>Total Public Support and Other Income</b>	<b>2,580,579</b>	<b>200,000</b>	<b>2,780,579</b>
<b>EXPENSES</b>			
Program services	1,915,354	-	1,915,354
Management and general	269,216	-	269,216
Fundraising	<u>134,366</u>	<u>-</u>	<u>134,366</u>
<b>Total Expenses</b>	<b>2,318,936</b>	<b>-</b>	<b>2,318,936</b>
<b>TOTAL PUBLIC SUPPORT AND OTHER INCOME IN EXCESS OF EXPENSES</b>	<b>261,643</b>	<b>200,000</b>	<b>461,643</b>
<b>OTHER CHANGES IN NET ASSETS</b>			
Net assets released from restrictions	32,480	(32,480)	-
<b>CHANGE IN NET ASSETS</b>	<b>\$ 294,123</b>	<b>\$ 167,520</b>	<b>\$ 461,643</b>
<b>NET ASSETS, BEGINNING</b>	<b>\$ 114,804</b>	<b>\$ 507,958</b>	<b>\$ 622,762</b>
Change in Net Assets	<u>294,123</u>	<u>167,520</u>	<u>461,643</u>
<b>NET ASSETS, ENDING</b>	<b>\$ 408,927</b>	<b>\$ 675,478</b>	<b>\$ 1,084,405</b>

See notes to financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	2020 Totals
<b>PUBLIC SUPPORT AND OTHER INCOME</b>			
Government Grants			
State and local 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
<b>Total Public Support and Other Income</b>	<b>2,065,082</b>	<b>20,980</b>	<b>2,086,062</b>
<b>EXPENSES</b>			
Program services	1,734,426	-	1,734,426
Management and general	179,195	-	179,195
Fundraising	103,754	-	103,754
<b>Total Expenses</b>	<b>2,017,375</b>	<b>-</b>	<b>2,017,375</b>
<b>TOTAL PUBLIC SUPPORT AND OTHER INCOME IN EXCESS OF EXPENSES</b>	<b>47,707</b>	<b>20,980</b>	<b>68,687</b>
<b>OTHER CHANGES IN NET ASSETS</b>			
Net assets released from restrictions	120,109	(120,109)	-
<b>CHANGE IN NET ASSETS</b>	<b>\$ 167,816</b>	<b>\$ (99,129)</b>	<b>\$ 68,687</b>
<b>NET ASSETS, BEGINNING</b>	<b>\$ (53,012)</b>	<b>\$ 607,087</b>	<b>\$ 554,075</b>
Change in Net Assets	167,816	(99,129)	68,687
<b>NET ASSETS, ENDING</b>	<b>\$ 114,804</b>	<b>\$ 507,958</b>	<b>\$ 622,762</b>

See notes to financial statements.



ASSETS LANCASTER AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	2021 Totals
Wages	\$ 667,149	\$ 183,346	\$ 91,673	\$ 942,168
Health insurance	60,833	17,381	8,691	86,905
Payroll taxes	50,839	14,526	7,263	72,628
Retirement plan contributions	12,075	3,450	1,725	17,250
Contract labor	796,197	-	-	796,197
Staff development and travel	17,379	4,965	2,483	24,827
Advertising expense	2,389	1,912	478	4,779
Depreciation	-	26,381	-	26,381
Equipment reimbursement	11,547	1,444	1,444	14,435
Vehicle expense	6,719	-	-	6,719
Bad debt expense	5,000	-	-	5,000
Interest expense	5,104	-	-	5,104
Repairs and maintenance	8,634	-	2,158	10,792
Insurance	11,832	3,380	1,690	16,902
Telephone	1,498	428	214	2,140
Utilities	3,703	1,058	529	5,290
Program expenses	69,740	-	-	69,740
Program development	50,746	-	5,637	56,383
Miscellaneous	-	-	1,486	1,486
Office expense	40,104	-	3,423	43,527
Postage	127	-	-	127
Professional fees	31,803	9,086	4,543	45,432
Consulting	55,429	-	-	55,429
Administrative expenses	3,355	958	479	4,792
Registration and memberships	3,152	901	450	4,503
<b>Total Expenses</b>	<b>\$ 1,915,354</b>	<b>\$ 269,216</b>	<b>\$ 134,366</b>	<b>\$ 2,318,936</b>

See notes to financial statements.

ASSETS LANCASTER AND SUBSIDIARY  
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
<b>Total Expenses</b>	<b>\$ 1,734,426</b>	<b>\$ 179,195</b>	<b>\$ 103,754</b>	<b>\$ 2,017,375</b>

See notes to financial statements.

ASSETS LANCASTER AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 461,643	\$ 68,687
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	26,381	12,000
Forgiveness of long-term debt	(253,523)	-
(Increase) decrease in:		
Contract receivables	(2,816)	1,171
Notes receivable, microloans (net of allowance for uncollectible accounts)	169,284	(76,594)
Grants receivable	(162,500)	(14,058)
Interest receivable	250	(250)
Unconditional promises to give	15,000	(9,099)
Prepaid expenses	3,443	1,715
Loan capital participation receivable	-	(200,000)
Increase (decrease) in:		
Accounts payable	73,064	4,367
Escrow payable	(1,643)	(734)
Accrued payroll	(10,896)	16,808
Compensated absences	(1,474)	6,909
<b>Cash Provided (Used) by Operating Activities</b>	<b>316,213</b>	<b>(189,078)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(140,686)	(3,074)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings (repayments) on line of credit, net	-	(130,000)
Payments on long-term debt	(57,259)	(14,263)
Proceeds from long-term debt	307,981	253,523
<b>Cash Provided by Financing Activities</b>	<b>250,722</b>	<b>109,260</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>426,249</b>	<b>(82,892)</b>
Cash at Beginning of Year	657,116	740,008
<b>Cash at End of Year</b>	<b>\$ 1,083,365</b>	<b>\$ 657,116</b>
<b>SCHEDULE OF SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 5,104	\$ 9,684

See notes to financial statements.

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

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 AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

On July 1, 2020, the Organization adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASC 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Under ASC 606, the Organization is required to follow a five-step evaluation process to determine that the contract depicts “the transfer of promised goods and services to customers in an amount that reflects the consideration to which entity expects to be entitled in exchange for those goods and services.”

Contracts with customers consist of training, consulting, probationary placements, and payroll processing. The Organization recognizes revenue at the end of each billing period, at which time the customer receives an invoice for services performed throughout the period.

At July 1, 2019, the balance of contracts receivable was \$40,590.

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
Vehicles	5 years

Depreciation expense for the years ended June 30, 2021 and 2020 was \$26,381 and \$12,000, respectively.

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021 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 \$205,741 and \$48,823 at June 30, 2021 and June 30, 2020, respectively.

Support and Revenue

During the year ended June 30, 2021, approximately 13% of total public support and other income was attributable to one grantor, and approximately 70% of total receivables was attributable to one grantor. During the year ended June 30, 2020, approximately 16% of total public support and other income was attributable to one grantor.

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3: CONCENTRATIONS (Continued)

Notes Receivable

During the year ended June 30, 2021, microloan notes receivable from three borrowers comprised 39.2% 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.

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 bear interest at rates between 4.5% and 9.0% for the year ended June 30, 2021.

Balances of notes receivable by category of program as of June 30, 2021 and 2020 are as follows:

	2021	2020
Small Business Loans	\$ 18,767	\$ 57,349
Social Impact Loans, unsecured	75,458	219,487
Subtotal	94,225	276,836
Less: Loan loss reserve	(4,096)	(17,423)
<b>Total</b>	<b>\$ 90,129</b>	<b>\$ 259,413</b>

Maturities of loans receivable are as follows at June 30:

	2022	\$ 57,172
	2023	26,877
	2024	8,371
	2025	1,805
<b>Total</b>	<b>\$ 94,225</b>	

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4: NOTES RECEIVABLE, MICROLOANS (Continued)

Changes to the loan loss reserve for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Beginning Balance	\$ 17,423	\$ 10,683
Provision for loan losses	(11,585)	8,084
Write-off of uncollectible loans, net of recoveries	(1,742)	(1,344)
Ending Balance	\$ 4,096	\$ 17,423

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 3.18% and 4.66% of all guaranteed loans outstanding as of June 30, 2021 and 2020, 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, 2021 and 2020, the Organization wrote off \$1,742 and \$1,344 of loans as uncollectible, respectively. As of June 30, 2021 and 2020, the Organization held \$2,997 and \$4,640, 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.



ASSETS LANCASTER AND SUBSIDIARY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4: NOTES RECEIVABLE, MICROLOANS (Continued)

The Organization has utilized the following risk assessment model to estimate its allowance for credit losses as of June 30, 2021:

Risk Category	Loan Balances	Reserve Percentage	Reserve Amount
Very low	\$ 42,584	2.50%	\$ 1,065
Low	36,496	5.00%	1,825
Moderate	12,304	7.50%	923
High	2,841	Various	283
<b>Total</b>	<b>\$ 94,225</b>		<b>\$ 4,096</b>

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, 2021 and 2020, 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, 2021 and 2020, unconditional promises to give were \$500 and \$15,500, 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, 2021 and 2020, the liability for compensated absences amounted to \$24,901 and \$26,375, 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 5.50% at June 30, 2021 and 2020. There was no balance on this line of credit as of June 30, 2021 and 2020.

The Organization's subsidiary, Lancaster Works at ASSETS, LLC, holds a \$100,000 line of credit with a local financial institution. 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, 2021 and 2020. There was no balance on this line of credit as of June 30, 2021 and 2020.

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8: NOTES PAYABLE

The Organization had an unsecured note payable from an individual in the amount of \$30,000 at June 30, 2020. The loan was paid off during the year ended June 30, 2021. The rate of interest was based upon announcements published in the Wall Street Journal. The interest rate was 3.25% as of June 30, 2020. The note was payable within 60 days upon demand. Total interest of \$1,969 and \$1,613 was paid on this loan during the years ended June 30, 2021 and 2020, respectively.

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.

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, 2021 and 2020, the balance on this note payable was \$75,835 and \$90,278, 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, 2021 and 2020, the balance on this note payable was \$83,338 and \$96,153, respectively.

During April 2020, ASSETS Lancaster and its subsidiary, Lancaster Works at ASSETS, LLC, received Paycheck Protection Program (PPP) loans from the SBA in the amounts of \$135,500 and \$118,023, respectively. During the year ended June 30, 2021, these loans were forgiven in full, including \$1,129 and \$1,259 of accrued interest for ASSETS Lancaster and Lancaster Works at ASSETS, LLC, respectively.

During March 2021, ASSETS Lancaster received a Paycheck Protection Program (PPP) loan from the SBA in the amount of \$167,791. During April 2021, Lancaster Works at ASSETS, LLC, received a PPP loan from the SBA in the amount \$140,189. 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 AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8: NOTES PAYABLE (Continued)

Notes payable consist of the following at June 30, 2021 and 2020:

	2021		2020	
	Balance	Current Portion	Balance	Current Portion
Note payable, individuals, unsecured	\$ -	\$ -	\$ 30,000	\$ 30,000
Note payable, governmental agency, unsecured	30,940	30,940	30,940	30,940
Notes payable, governmental agency, unsecured	307,980	153,412	253,523	112,208
Notes payable, governmental agency, secured	159,173	24,881	186,431	26,526
Total notes payable	498,093	<u>\$ 209,233</u>	500,894	<u>\$ 199,674</u>
Less Current Portion	<u>209,233</u>		<u>199,674</u>	
Total Long-Term Debt	<u>\$ 288,860</u>		<u>\$ 301,220</u>	

Maturities of notes payable are as follows at June 30:

2022	\$ 209,233
2023	179,531
2024	25,047
2025	25,131
2026	25,131
Thereafter	34,020
Total	<u>\$ 498,093</u>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
SBA Women's Business Center	\$ -	\$ 17,364
COVID-19 funding	-	3,616
Community Development Financial Institution	675,478	486,978
Total net assets with donor restrictions	<u>\$ 675,478</u>	<u>\$ 507,958</u>

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Community Development Financial Institution represents grants of \$200,000, \$428,000 and \$350,000 for the years ended June 30, 2021, 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:

	2021	2020
ASSETS Lancaster	\$ 397,458	\$ 140,826
Lancaster Works at ASSETS, LLC	870,152	984,881
<b>Total Program Income</b>	<b>\$ 1,267,610</b>	<b>\$ 1,125,707</b>

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:

	2021	2020
ASSETS Lancaster	\$ 150,701	\$ 1,353
Lancaster Works at ASSETS, LLC	119,465	50
<b>Total Program Income</b>	<b>\$ 270,166</b>	<b>\$ 1,403</b>

NOTE 11: RETIREMENT PLAN

The Organization has a SIMPLE IRA retirement plan for employees. The plan provides a matching benefit of up to 2% of employee contributions. Total retirement plan expense for the years ended June 30, 2021 and 2020 was \$17,250 and \$12,335, respectively.

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020 was \$2,086 and \$2,003, respectively, 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, 2021 for each of the years ended June 30 are:

2022	\$	1,812
2023		604
Total	\$	2,416

NOTE 13: RELATED PARTY TRANSACTIONS

For the years ended June 30, 2021 and 2020, 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 years ended June 30, 2021 and 2020, one member of the Board of Directors is an employee of the financial institution where the Organization maintains certain cash balances and which serviced certain of the Organization's notes receivable.

For the year ended June 30, 2021, one member of the Board of Directors is the owner of an insurance brokerage where the Organization purchases its insurance policies. Total amounts paid to this insurance brokerage were \$1,050 for the year ended June 30, 2021.

For the year ended June 30, 2021, the Organization received donations from one board member totaling \$10,000. For the year ended June 30, 2020, the Organization received donations from one board member totaling \$12,520.

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.

Effective November 19, 2021, ASSETS Lancaster sold its ownership of Lancaster Works at ASSETS, LLC to an employee of Lancaster Works at ASSETS, LLC. The purchase price for the Organization's ownership interest was 90% of Lancaster Works at ASSETS, LLC's receivable balance as of November 19, 2021.

ASSETS LANCASTER AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 15: LIQUIDITY

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

	2021	2020
Cash	\$ 1,083,365	\$ 657,116
Contract receivables	42,235	39,419
Notes receivable, microloans	53,077	127,243
Grants receivable	200,000	37,500
Unconditional promises to give	500	15,500
<u>Financial assets, at year-end</u>	<u>\$ 1,379,177</u>	<u>\$ 876,778</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.

	2021	2020
Financial assets, at year-end	\$ 1,379,177	\$ 876,778
Less those unavailable for general expenditures within one year due to:		
Donor restrictions	(675,478)	(507,958)
Cash collateralizing secured debt	(139,533)	(100,805)
Notes receivable collateralizing secured debt	(16,012)	(51,539)
<u>Financial assets available for general expenditures within one year</u>	<u>\$ 548,154</u>	<u>\$ 216,476</u>