

ASSETS LANCASTER

Financial Statements

Year Ended June 30, 2024

ASSETS LANCASTER
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

Independent Auditors' Report

Statements of Financial Position

Pages 4-5

Statements of Activities

Pages 6-7

Statements of Functional Expenses

Pages 8-9

Statements of Cash Flows

Page 10

Notes to Financial Statements

Pages 11-20

BERTZ, HESS & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS AND FINANCIAL CONSULTANTS

36 EAST KING STREET
LANCASTER, PA 17602-2896

(717) 393-0767
FAX: (717) 293-8560
800-522-9967
www.bertzhess.com

*Over 75
Years of
Service*
BERTZ, HESS & CO., LLP
Founded in 1945

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

ASSETS Lancaster

Lancaster, Pennsylvania

Opinion

We have audited the accompanying financial statements of ASSETS Lancaster (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of ASSETS Lancaster as of June 30, 2024 and 2023, 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. 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 ASSETS Lancaster and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 ASSETS Lancaster's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
ASSETS Lancaster
Lancaster, Pennsylvania

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASSETS Lancaster's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ASSETS Lancaster's ability to continue as a going concern for a reasonable period of time.

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

Bertz, Hess & Co., LLP

BERTZ, HESS & CO., LLP
Lancaster, Pennsylvania
December 19, 2024

ASSETS LANCASTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash	\$ 923,109	\$ 677,901
Contract receivables	1,995	2,181
Notes receivable, microloans (net of allowance for uncollectible accounts of \$23,390 and \$7,330 for 2024 and 2023, respectively)	115,513	99,070
Prepaid expenses	<u>24,716</u>	<u>12,266</u>
Total Current Assets	1,065,333	791,418
PROPERTY AND EQUIPMENT, At Cost		
Office furniture	65,847	65,847
Computer equipment	39,708	44,522
Leasehold improvements	265,295	265,295
Less accumulated depreciation and amortization	<u>(103,101)</u>	<u>(79,792)</u>
Net Property and Equipment	267,749	295,872
OTHER ASSETS		
Security deposit	9,232	9,232
Software, net of accumulated amortization	20,513	34,500
Operating lease right-of-use asset	262,716	365,339
Notes receivable, microloans, long-term	<u>219,604</u>	<u>80,382</u>
Total Other Assets	512,065	489,453
TOTAL ASSETS	<u>\$ 1,845,147</u>	<u>\$ 1,576,743</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS	2024	2023
CURRENT LIABILITIES		
Notes payable	\$ 56,626	\$ 56,542
Line of credit	120,000	240,000
Accounts payable	7,560	4,979
Accrued payroll	32,214	41,268
Deferred grant revenue	650,000	-
Operating lease liability	105,754	102,623
Compensated absences	32,468	40,070
Total Current Liabilities	1,004,622	485,482
LONG TERM LIABILITIES		
Notes payable	56,164	82,106
Operating lease liability	156,962	262,716
Total Long-Term Liabilities	213,126	344,822
TOTAL LIABILITIES	1,217,748	830,304
NET ASSETS		
Without donor restrictions	7,364	(212,781)
With donor restrictions	620,035	959,220
TOTAL NET ASSETS	627,399	746,439
TOTAL LIABILITIES AND NET ASSETS	\$ 1,845,147	\$ 1,576,743

ASSETS LANCASTER
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Totals
PUBLIC SUPPORT AND OTHER INCOME			
Government Grants			
State and local grants	\$ 15,500	\$ 20,000	\$ 35,500
Federal grants	609,347	-	609,347
Contributions and Other Grants			
Foundation grants	234,983	45,050	280,033
Corporate contributions	285,800	-	285,800
Individual contributions	98,364	-	98,364
In-kind contributions	3,720	-	3,720
Other Income			
Program income	19,910	-	19,910
Interest income	26,290	-	26,290
Total Public Support and Other Income	1,293,914	65,050	1,358,964
EXPENSES			
Program services	986,706	-	986,706
Management and general	374,511	-	374,511
Fundraising	116,787	-	116,787
Total Expenses	1,478,004	-	1,478,004
TOTAL PUBLIC SUPPORT AND OTHER INCOME IN (DEFICIENCY) EXCESS OF EXPENSES	(184,090)	65,050	(119,040)
OTHER CHANGES IN NET ASSETS			
Net assets released from restrictions	404,235	(404,235)	-
CHANGE IN NET ASSETS	\$ 220,145	\$ (339,185)	\$ (119,040)
NET ASSETS, BEGINNING	\$ (212,781)	\$ 959,220	\$ 746,439
Change in Net Assets	220,145	(339,185)	(119,040)
NET ASSETS, ENDING	\$ 7,364	\$ 620,035	\$ 627,399

See notes to financial statements.

ASSETS LANCASTER
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Totals
PUBLIC SUPPORT AND OTHER INCOME			
Government Grants			
State and local grants	\$ -	\$ 90,469	\$ 90,469
Federal grants	188,855	-	188,855
Contributions and Other Grants			
Foundation grants	204,172	50,828	255,000
Corporate contributions	285,731	-	285,731
Individual contributions	116,776	-	116,776
In-kind contributions	600	-	600
Other Income			
Program income	21,241	-	21,241
Interest income	14,300	-	14,300
Miscellaneous income	88	-	88
Total Public Support and Other Income	831,763	141,297	973,060
EXPENSES			
Program services	918,650	-	918,650
Management and general	369,459	-	369,459
Fundraising	125,585	-	125,585
Total Expenses	1,413,694	-	1,413,694
TOTAL PUBLIC SUPPORT AND OTHER INCOME IN (DEFICIENCY) EXCESS OF EXPENSES	(581,931)	141,297	(440,634)
OTHER CHANGES IN NET ASSETS			
Net assets released from restrictions	44,496	(44,496)	-
CHANGE IN NET ASSETS	\$ (537,435)	\$ 96,801	\$ (440,634)
NET ASSETS, BEGINNING	\$ 324,654	\$ 862,419	\$ 1,187,073
Change in Net Assets	(537,435)	96,801	(440,634)
NET ASSETS, ENDING	\$ (212,781)	\$ 959,220	\$ 746,439

See notes to financial statements.

ASSETS LANCASTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Management and General	Fundraising	2024 Totals
Wages	\$ 557,426	\$ 159,265	\$ 79,632	\$ 796,323
Health insurance	75,125	21,464	10,732	107,321
Payroll taxes	47,053	13,444	6,722	67,219
Retirement plan contributions	16,063	4,590	2,295	22,948
Staff development and travel	9,466	2,705	1,352	13,523
Depreciation and amortization	-	49,551	-	49,551
Bad debt expense	27,130	-	-	27,130
Interest expense	21,683	-	-	21,683
Repairs and maintenance	9,792	-	2,448	12,240
Insurance	8,760	2,503	1,252	12,515
Rent	-	110,784	-	110,784
Telephone	7,191	2,054	1,027	10,272
Program expenses	88,365	-	-	88,365
Program development	49,972	-	6,705	56,677
Miscellaneous	-	-	704	704
Office expense	38,381	-	416	38,797
Postage	66	-	-	66
Professional fees	16,781	4,795	2,397	23,973
Consulting	5,720	-	-	5,720
Administrative expenses	3,125	893	447	4,465
Registration and memberships	4,607	1,316	658	6,581
Loss on disposal of assets	-	1,147	-	1,147
Total Expenses	\$ 986,706	\$ 374,511	\$ 116,787	\$ 1,478,004

See notes to financial statements.

ASSETS LANCASTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	2023 Totals
Wages	\$ 585,465	\$ 167,276	\$ 83,638	\$ 836,379
Health insurance	69,166	19,762	9,881	98,809
Payroll taxes	51,919	14,834	7,417	74,170
Retirement plan contributions	13,465	3,847	1,924	19,236
Staff development and travel	9,927	2,836	1,418	14,181
Depreciation and amortization	-	40,562	-	40,562
Bad debt expense	8,694	-	-	8,694
Interest expense	8,861	-	-	8,861
Repairs and maintenance	8,044	-	2,011	10,055
Insurance	10,666	3,048	1,524	15,238
Rent	-	110,784	-	110,784
Telephone	4,386	1,253	627	6,266
Program expenses	52,984	-	-	52,984
Program development	23,825	-	14,497	38,322
Miscellaneous	-	-	20	20
Office expense	44,631	-	-	44,631
Postage	60	-	-	60
Professional fees	11,051	3,158	1,579	15,788
Consulting	8,160	-	-	8,160
Administrative expenses	2,775	793	396	3,964
Registration and memberships	4,571	1,306	653	6,530
Total Expenses	\$ 918,650	\$ 369,459	\$ 125,585	\$ 1,413,694

See notes to financial statements.

ASSETS LANCASTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (119,040)	\$ (440,634)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	49,551	40,562
Loss on disposal of assets	1,147	-
(Increase) decrease in:		
Contract receivables	186	23,934
Notes receivable, microloans (net of allowance for uncollectible accounts)	(155,665)	(88,692)
Grants receivable	-	128,625
Unconditional promises to give	-	4,140
Prepaid expenses	(12,450)	(1,342)
Increase (decrease) in:		
Accounts payable	2,581	3,241
Escrow payable	-	(933)
Accrued payroll	(9,054)	8,547
Deferred grant revenue	650,000	-
Compensated absences	(7,602)	25,100
Cash Provided (Used) by Operating Activities	399,654	(297,452)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,588)	(51,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(25,858)	(25,774)
Borrowings on line of credit, net of repayments	(120,000)	240,000
Cash (Used) Provided by Financing Activities	(145,858)	214,226
NET INCREASE (DECREASE) IN CASH	245,208	(134,294)
Cash at Beginning of Year	677,901	812,195
Cash at End of Year	\$ 923,109	\$ 677,901
SCHEDULE OF SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 21,683	\$ 8,861

See notes to financial statements.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

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 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.

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 statement of activities.

Revenue Recognition

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, 2022, the balance of contract receivables was \$26,115.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

Local businesses provided in-kind contributions to ASSETS Lancaster through services performed at discounted rates. The Organization recognizes this discount as in-kind contributions at fair value. In-kind contributions recognized at June 30, were as follows:

	2024	2023
Consulting	\$ 3,720	\$ -
Planning and coordinating	-	600
Total	\$ 3,720	\$ 600

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.

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 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.

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
Leasehold improvements	15 years

Depreciation expense for the years ended June 30, 2024 and 2023, was \$35,563 and \$33,099, respectively.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangibles

Intangibles are comprised of computer software purchased during the year ended June 30, 2023, in the amount of \$41,963. Software purchases are amortized over three years. Amortization expense was \$13,988 and \$7,463 for the years ended June 30, 2024 and 2023, respectively.

Expected future amortization for the years ended June 30 are as follows:

2025	\$	13,988
2026		6,525
<hr/>		
Total	\$	20,513

Deferred grant revenue

During the year ended June 30, 2024, the Organization received grants from two grantors of which conditions for recognition on the statement of activities have not yet been met as of June 30, 2024.

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, 2024, have been evaluated by the Organization's management through December 19, 2024, 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 \$325,437 and \$177,843 at June 30, 2024 and 2023, respectively.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 3: CONCENTRATIONS (Continued)

Support and Revenue

During the year ended June 30, 2024, approximately 37.5% of total support and revenue was attributable to one grantor. During the year ended June 30, 2023, approximately 29.7% of total support and revenue was attributable to two grantors.

Notes Receivable

During the year ended June 30, 2024, there were no concentrations in notes receivable. During the year ended June 30, 2023, microloan notes receivable from two borrowers comprised 23.7% of total gross notes receivable.

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. These loans bear interest at rates between 8.0% and 8.5% and have various maturity dates through April 2028. During the years ended June 30, 2024 and 2023, the Organization held two separate notes payable that required maintenance of separate bank accounts to be held for collateral. These accounts held balances of \$74,559 and \$64,118 at June 30, 2024 and 2023, respectively.

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 April 2029. The microloans bear interest at rates between 8.0% and 13.5%.

Reinventing Our Community Loans

Reinventing Our Community (ROC) Loans provide funding between \$5,500 and \$10,000 to business owners who were disproportionately affected by the COVID-19 pandemic and those who have been systematically oppressed. ROC loans provide a grant of 30% of the principal loan balance at time of loan disbursement. ROC loans are unsecured and have various maturity dates through June 2027. ROC loans bear interest rates of 1.0%.

Small Dollar Loans

Small Dollar Loans provide funding for 12 months up to \$2,500 to new and existing business owners. Small Dollar Loans are unsecured and have various maturity dates through May 2025. Equipment Loans bear an interest rate of 0.0%.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4: NOTES RECEIVABLE, MICROLOANS (Continued)

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

	2024	2023
Small Business Loans	\$ 22,852	\$ 41,047
Social Impact Loans, unsecured	90,323	71,099
ROC	243,040	74,636
Equipment Loans	<u>2,292</u>	<u>-</u>
Subtotal	358,507	186,782
Less: Loan loss reserve	<u>(23,390)</u>	<u>(7,330)</u>
Total	<u>\$ 335,117</u>	<u>\$ 179,452</u>

Maturities of notes receivable are as follows at June 30:

2025	\$ 138,903
2026	116,199
2027	74,585
2028	16,768
2029	<u>12,052</u>
Total	<u>\$ 358,507</u>

Changes to the loan loss reserve for the years ended June 30 are as follows:

	2024	2023
Beginning Balance	\$ 7,330	\$ 3,977
Provision for loan losses	26,380	5,170
Write-off of uncollectible loans, net of recoveries	<u>(10,320)</u>	<u>(1,817)</u>
Ending Balance	<u>\$ 23,390</u>	<u>\$ 7,330</u>

Credit Losses

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

- The Organization maintains additional cash reserves to total at least 15% of all loans outstanding as a cash reserve against potential losses.
- 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, 2024 and 2023, the Organization wrote off \$10,320 and \$1,817, respectively, of loans as uncollectible, net of recoveries.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4: NOTES RECEIVABLE, MICROLOANS (Continued)

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.

Regulatory Requirement Considerations

During the year ended June 30, 2024, the Organization became subject to regulatory requirements to maintain a minimum of 15% loan loss reserve on certain loan products.

The Organization has utilized the following risk assessment model to estimate its allowance for credit losses as of June 30, 2024:

Risk Category	Loan Balances	Reserve Percentage	Reserve Amount
Very low	\$ 206,024	0.75%	\$ 1,545
Low	7,809	2.91%	227
Moderate	144,117	15.00%	21,618
Miscellaneous	557	Various	-
Total	\$ 358,507		\$ 23,390

The Organization has utilized the following risk assessment model to estimate its allowance for credit losses as of June 30, 2023:

Risk Category	Loan Balances	Reserve Percentage	Reserve Amount
Very low	\$ 87,020	2.50%	\$ 2,176
Low	88,089	5.00%	4,404
Moderate	10,000	7.50%	750
Miscellaneous	1,673	Various	-
Total	\$ 186,782		\$ 7,330

NOTE 5: COMPENSATED ABSENCES

Full-time employees of the Organization are entitled to paid time off depending on length of service and other factors. Paid time off cannot be carried over from one calendar year to the next. At June 30, 2024 and 2023, the liability for compensated absences amounted to \$32,468 and \$40,070, respectively.

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 6: LINE OF CREDIT

The Organization has a line of credit with a local financial institution. During the year ended June 30, 2023, the borrowing limit on the line of credit was increased from \$200,000 to \$250,000. In July 2023, the borrowing limit on the line of credit was increased from \$250,000 to \$300,000. The line 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 9.50% and 9.25% at June 30, 2024 and 2023, respectively. The Organization had a balance of \$120,000 and \$240,000 on their line of credit as of June 30, 2024 and 2023, respectively.

NOTE 7: NOTES PAYABLE

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 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. 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, 2024 and 2023, the balance on this note payable was \$32,500 and \$46,945, 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. 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, 2024 and 2023, the balance on this note payable was \$49,350 and \$60,763, respectively.

Notes payable consist of the following at June 30:

	2024		2023	
	Balance	Current Portion	Balance	Current Portion
Note payable, governmental agency, unsecured	\$ 30,940	\$ 30,940	\$ 30,940	\$ 30,940
Notes payable, governmental agency, secured	81,850	25,686	107,708	25,602
Total notes payable	112,790	<u>\$ 56,626</u>	138,648	<u>\$ 56,542</u>
Less current portion	<u>56,626</u>		<u>56,542</u>	
Total long-term debt	\$ 56,164		\$ 82,106	

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 7: NOTES PAYABLE (Continued)

Maturities of notes payable are as follows at June 30:

2025	\$	56,626
2026		25,771
2027		15,023
2028		11,497
2029		3,873
<hr/>		
Total	\$	112,790

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of Community Development Financial Institution (CDFI) grants at June 30, 2024. The CDFI grants represent grants of \$500,000, \$200,000, \$428,000 and \$350,000 for the years ended June 30, 2024, 2021, 2019 and 2018, respectively, to support the expansion of the Organization's microlending.

During the year ended June 30, 2023, the Organization received a CDFI Technology Grant in the amount of \$100,000 to support the technological advancement of the Organization.

Net assets with donor restrictions also consisted of Pennsylvania Community Development Financial Institution (PA CDFI) grants at June 30, 2024. The PA CDFI grant represents a grant of \$90,469 and \$232,941 for the years ended June 30, 2023 and 2022, respectively, to support the expansion of the Organization's microlending.

During the year ended June 30, 2024, the Organization received a City of Lancaster CDBG grant of \$20,000 restricted for use to support the expansion of the Organization's microlending.

During the year ended June 30, 2024, the Organization received foundation grants of \$42,500 restricted for use within the Idea Incubator programs.

During the year ended June 30, 2024, the Organization received a foundation grant of \$2,550 to support the technological advancement of the Organization.

Net assets with donor restrictions were as follows for June 30:

	2024	2023
CDFI grants	\$ 205,057	\$ 584,982
CDFI technology grant	26,518	50,828
PA CDFI grants	323,410	323,410
City of Lancaster CDBG grant	20,000	-
Idea Incubator grants	42,500	-
Technology grants	2,550	-
<hr/>		
Total	\$ 620,035	\$ 959,220

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 9: RETIREMENT PLAN

The Organization has a SIMPLE IRA retirement plan for employees. For the period from July 1, 2021 to December 31, 2022, the Organization provided a matching benefit of up to 2% of employee contributions. Effective January 1, 2023, the Organization provides a matching benefit up to 3% of employee contributions. Total retirement plan expense for the years ended June 30, 2024 and 2023, was \$22,948 and \$19,236, respectively.

NOTE 10: OPERATING LEASES

The Organization had a lease for a copier with a monthly payment of \$151, for a lease term from November 2017 to October 2022. The lease was renewed to October 2027. During the year ended June 30, 2023, the lease was amended to reflect monthly payments of \$97 through April 2028. Total lease expense for the years ended June 30, 2024 and 2023, was \$1,158 and \$1,711, respectively, and is included in office expense in the statements of functional expenses.

The Organization has a lease for office space with a monthly payment of \$9,232, for a lease term from December 2021 to November 2026. Total lease expense for each of the years ended June 30, 2024 and 2023, was \$110,784 and is included in rent in the statements of functional expenses.

Additional lease disclosure information for the years ended June 30 is summarized below:

	2024	2023
Operating lease expense	\$ 111,942	\$ 112,379
Variable lease expense	\$ -	\$ 116
Operating cash flows from leases	\$ 111,942	\$ 112,227
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 5,408
Weighted-average remaining lease term (years)	2.44	3.44
Weighted-average discount rate	3.02%	3.01%

As a practical expedient, the Organization has utilized the interest rate on U.S. Treasury notes as of the date of lease inception and for the corresponding term to determine the discount rate or the lessor provided discount rate. Variable lease expense consists of copier use over the agreed-upon usage amount.

Future minimum rental payments under this lease are as follows for the years ended June 30:

2025	\$ 111,942
2026	111,942
2027	47,318
2028	965
Less: present value discount	(9,451)
<u>Total lease liabilities</u>	<u>\$ 262,716</u>

ASSETS LANCASTER
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 11: RELATED PARTY TRANSACTIONS

For the year ended June 30, 2023, one member of the Board of Directors was an employee of the financial institution where the Organization maintains certain cash balances and its line of credit.

For the years ended June 30, 2024 and 2023, two members of the Board of Directors were employees of financial institutions where the Organization maintains certain cash balances.

For the years ended June 30, 2024 and 2023, one member of the Board of Directors was a shareholder of a legal and consulting firm and one Board member was an employee of the same legal and consulting firm. This firm provided contributions of \$1,000 and \$2,500 during the years ended June 30, 2024 and 2023, respectively.

NOTE 12: LIQUIDITY

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

	2024	2023
Cash	\$ 923,109	\$ 677,901
Contract receivables	1,995	2,181
Notes receivable, microloans	115,513	99,070
Financial assets, at year-end	\$ 1,040,617	\$ 779,152

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:

	2024	2023
Financial assets, at year-end	\$ 1,040,617	\$ 779,152
Less those unavailable for general expenditures within one year due to:		
Donor restrictions	(620,035)	(959,220)
Cash collateralizing secured debt	(74,559)	(64,118)
Financial assets available for general expenditures within one year	\$ 346,023	\$ (244,186)