

**ASCENDUS, INC.**

**Ascendus**

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

**Years Ended December 31, 2023 and 2022**

**ASCENDUS, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Ascendus, Inc.  
New York, NY

### **Opinion**

We have audited the financial statements of Ascendus, Inc. ("Ascendus"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ascendus, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Ascendus and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

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

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

*Mayer Hoffman McCann CPAs*

New York, NY  
April 24, 2024

**ASCENDUS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2023 AND 2022**

<b>ASSETS</b>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Notes 2C and 10A)	\$ 8,364,840	\$ 1,906,001
Restricted cash (Note 2C)	5,961,488	18,141,107
Contributions, grants and other receivables (Notes 2D and 2L)	1,255,249	2,398,670
Interest on loans receivable (Note 2E)	441,575	154,232
Loans receivable, net (Notes 2E, 2F and 4)	27,813,541	17,299,175
Prepaid expenses and other assets	326,115	371,828
Operating right-of-use lease asset (Note 7)	237,061	52,353
Finance right-of-use lease asset (Note 7)	48,882	-
Property and equipment, net (Notes 2G and 5)	<u>42,205</u>	<u>127,877</u>
<b>TOTAL ASSETS</b>	<u>\$ 44,490,956</u>	<u>\$ 40,451,243</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 566,594	\$ 1,286,663
Deferred revenue (Note 2B)	35,416	18,066
Other liabilities	1,805,592	235,570
Notes payable	23,818,275	18,104,044
Operating lease liability (Note 7)	237,800	52,608
Finance lease liability (Note 7)	<u>49,421</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>26,513,098</u>	<u>19,696,954</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 8)		
<b>NET ASSETS</b> (Note 2B)		
Without donor restrictions	15,064,367	14,752,757
With donor restrictions (Note 9)	<u>2,913,491</u>	<u>6,001,532</u>
<b>TOTAL NET ASSETS</b>	<u>17,977,858</u>	<u>20,754,289</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 44,490,956</u>	 <u>\$ 40,451,243</u>

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

**ASCENDUS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>CONTRIBUTIONS AND REVENUE:</b>						
<b>Contributions:</b>						
Contributions (Notes 2B, 2D and 10B)	\$ 3,666,715	\$ 1,516,000	\$ 5,182,715	\$ 4,862,146	\$ 4,899,367	\$ 9,761,513
Noncash contributions (Note 2I)	250,987	-	250,987	30,091	-	30,091
<b>Total Contributions</b>	<u>3,917,702</u>	<u>1,516,000</u>	<u>5,433,702</u>	<u>4,892,237</u>	<u>4,899,367</u>	<u>9,791,604</u>
<b>Revenue:</b>						
Interest on loans (Note 2E)	1,812,963	-	1,812,963	922,191	-	922,191
Program fees (Notes 2L and 4)	3,252,582	-	3,252,582	2,272,018	-	2,272,018
Interest income	393,299	-	393,299	27,361	-	27,361
Other revenue (Note 2E)	-	-	-	420,876	-	420,876
<b>Total Revenue</b>	<u>5,458,844</u>	<u>-</u>	<u>5,458,844</u>	<u>3,642,446</u>	<u>-</u>	<u>3,642,446</u>
<b>Net assets released from restrictions</b> (Note 9)	<u>4,604,041</u>	<u>(4,604,041)</u>	<u>-</u>	<u>2,725,277</u>	<u>(2,725,277)</u>	<u>-</u>
<b>TOTAL CONTRIBUTIONS AND REVENUE</b>	<u>13,980,587</u>	<u>(3,088,041)</u>	<u>10,892,546</u>	<u>11,259,960</u>	<u>2,174,090</u>	<u>13,434,050</u>
<b>EXPENSES:</b>						
Program services:						
Lending/education services	9,690,554	-	9,690,554	7,468,221	-	7,468,221
Supporting services:						
Management and general	2,709,309	-	2,709,309	799,975	-	799,975
Fundraising	789,496	-	789,496	792,147	-	792,147
Total supporting services	3,498,805	-	3,498,805	1,592,122	-	1,592,122
<b>Expenses Before In-kind:</b>	13,189,359	-	13,189,359	9,060,343	-	9,060,343
In-Kind Legal Expense (Note 2I)	250,987	-	250,987	30,091	-	30,091
<b>TOTAL EXPENSES</b>	<u>13,440,346</u>	<u>-</u>	<u>13,440,346</u>	<u>9,090,434</u>	<u>-</u>	<u>9,090,434</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<u>540,241</u>	<u>(3,088,041)</u>	<u>(2,547,800)</u>	<u>2,169,526</u>	<u>2,174,090</u>	<u>4,343,616</u>
<b>Net assets - beginning of year, as previously reported</b>	14,752,757	6,001,532	20,754,289	12,583,231	3,827,442	16,410,673
Cumulative effect adjustment for CECL adoption (Note 2N)	(228,631)	-	(228,631)	-	-	-
<b>Net assets - beginning of year, after CECL adoption</b>	<u>14,524,126</u>	<u>6,001,532</u>	<u>20,525,658</u>	<u>12,583,231</u>	<u>3,827,442</u>	<u>16,410,673</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 15,064,367</u>	<u>\$ 2,913,491</u>	<u>\$ 17,977,858</u>	<u>\$ 14,752,757</u>	<u>\$ 6,001,532</u>	<u>\$ 20,754,289</u>

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

**ASCENDUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(With Comparative Totals for 2022)

	Year Ended December 31, 2023					
	Supporting Services					
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2023	Total 2022
Personnel costs (Note 11)	\$ 4,050,388	\$ 1,803,806	\$ 562,200	\$ 2,366,006	\$ 6,416,394	\$ 5,570,961
Contractual services	218,000	413,463	137,060	550,523	768,523	644,417
Legal services	10,369	1,661	-	1,661	12,030	21,062
Technology	447,473	166,337	30,786	197,123	644,596	714,182
Occupancy (Note 7)	210,232	75,085	26,964	102,049	312,281	339,609
Travel and conferences	37,523	82,777	9,887	92,664	130,187	43,796
Interest expense (Note 6)	589,549	-	-	-	589,549	360,879
Credit loss provision (Notes 2E and 4)	3,483,724	-	-	-	3,483,724	956,523
Collection expense	148,473	-	-	-	148,473	-
Client financial support	200,000	-	-	-	200,000	-
Depreciation and amortization (Notes 5 and 7)	207	115,462	-	115,462	115,669	124,741
Other expenses	294,616	50,718	22,599	73,317	367,933	284,173
	9,690,554	2,709,309	789,496	3,498,805	13,189,359	9,060,343
Expenses before In-Kind:						
In-Kind Legal Expenses (Note 2I)	-	250,987	-	250,987	250,987	30,091
<b>TOTAL EXPENSES</b>	<b>\$ 9,690,554</b>	<b>\$ 2,960,296</b>	<b>\$ 789,496</b>	<b>\$ 3,749,792</b>	<b>\$ 13,440,346</b>	<b>\$ 9,090,434</b>

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

**ASCENDUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Year Ended December 31, 2022				Total 2022
	Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel costs (Note 11)	\$ 4,345,350	\$ 685,228	\$ 540,383	\$ 1,225,611	\$ 5,570,961
Contractual services	421,269	35,992	187,156	223,148	644,417
Legal services	21,062	-	-	-	21,062
Technology	711,381	1,566	1,235	2,801	714,182
Occupancy (Note 7)	264,895	41,772	32,942	74,714	339,609
Travel and conferences	34,161	5,387	4,248	9,635	43,796
Interest expense (Note 6)	360,879	-	-	-	360,879
Credit loss provision (Notes 2E and 4)	956,523	-	-	-	956,523
Depreciation and amortization (Note 5)	97,298	15,343	12,100	27,443	124,741
Other expenses	255,403	14,687	14,083	28,770	284,173
Expenses before In-Kind:	7,468,221	799,975	792,147	1,592,122	9,060,343
In-Kind Legal Expenses (Note 2I)	-	30,091	-	30,091	30,091
<b>TOTAL EXPENSES</b>	<b>\$ 7,468,221</b>	<b>\$ 830,066</b>	<b>\$ 792,147</b>	<b>\$ 1,622,213</b>	<b>\$ 9,090,434</b>

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



**ASCENDUS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,547,800)	\$ 4,343,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for credit losses	3,483,724	956,523
Depreciation and amortization	115,669	124,741
Loss from sale of participation loans	-	28,409
Non-cash adjustments on operating leases	484	258
Subtotal	1,052,077	5,453,547
Changes in assets and liabilities:		
Contributions, grants and other receivables	1,143,421	(932,912)
Interest on loans receivable	(287,343)	(12,960)
Prepaid expenses and other assets	45,713	(196,128)
Accounts payable and accrued expenses	(720,069)	354,191
Deferred revenue	17,350	(2,066,566)
Other liabilities	1,570,022	14,772
<b>Net Cash Provided by Operating Activities</b>	<b>2,821,171</b>	<b>2,613,944</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Disbursements under loan programs	(59,034,497)	(39,209,694)
Collections under loan program	10,732,123	13,096,604
Proceeds from loan participations	34,075,653	27,297,215
Purchases of property and equipment	(18,591)	(25,453)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(14,245,312)</b>	<b>1,158,672</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal repayments of finance lease liability	(10,870)	-
Proceeds from notes payable and subordinated debt	16,150,000	7,025,000
Repayments of notes payable	(10,435,769)	(15,050,193)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>5,703,361</b>	<b>(8,025,193)</b>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(5,720,780)</b>	<b>(4,252,577)</b>
Cash, cash equivalents and restricted cash - beginning of year	20,047,108	24,299,685
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 14,326,328</b>	<b>\$ 20,047,108</b>
Cash paid during the year for interest	\$ 589,549	\$ 360,879

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

Ascendus, Inc. (“Ascendus”) is a non-profit organization established according to the laws of New York and exempt from income tax under Internal Revenue Code Section 501(c)(3). Ascendus empowers low-to-moderate-income (“LMI”) business owners with access to capital and financial education. With economic opportunity, these entrepreneurs, often individuals of color and women, can build assets, better provide for their families, create employment opportunities for their neighbors, and strengthen their communities.

Since its incorporation on January 30, 1996, Ascendus has served over 56,000 small business owners by providing affordable loans totaling \$395 million. Ascendus is a Community Development Financial Institution (“CDFI”), certified by the U.S. Department of the Treasury, a Small Business Association (“SBA”) Microloan Intermediary, and a Community Advantage Small Business Lending Company with offices in New York and Florida, but lending across forty-nine states.

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

- A. Ascendus’ financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. Ascendus reports grants, gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets without donor restrictions represent net assets not subject to donor-imposed restrictions.

Conditional contributions and grants are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Conditional contributions and grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. As of December 31, 2023 and 2022, Ascendus was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$325,833 and \$701,472, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. As of December 31, 2023 and 2022, Ascendus received conditional grants and contracts from government agencies and foundations in the aggregate amounts of \$35,416 and \$18,066, respectively, that are recorded as deferred revenue in the accompanying financial statements, as they will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the funding entities are not obligated to expend the funds allotted under the grants and contracts and Ascendus may be required to return the funds already remitted.

The following table is the total conditional contributions and grants recognized for the years ended December 31:

	2023	2022
Total Conditional Grants and Contracts	\$ 2,676,248	\$ 2,652,197

- C. Cash and cash equivalents consist of highly liquid debt instruments acquired with original maturities of three months or less. Restricted cash consists of amounts for which the use has been restricted by lenders for specific loan programs or future operating expenses.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of December 31:

	<u>2023</u>	<u>2022</u>
<b>Unrestricted Cash and Cash Equivalents:</b>		
Operating Cash	\$ 6,467,912	\$ 1,376,181
Lending Cash	<u>1,896,928</u>	<u>529,820</u>
<b>Total Unrestricted Cash and Cash Equivalents</b>	8,364,840	1,906,001
<b>Restricted Cash:</b>		
Operating Cash	1,202,973	5,232,497
Reserve Cash	630,985	994,277
Lending Cash	3,909,992	11,354,428
Other Purpose Cash	<u>217,538</u>	<u>559,905</u>
<b>Total Restricted Cash</b>	<u>5,961,488</u>	<u>18,141,107</u>
	<u>\$ 14,326,328</u>	<u>\$ 20,047,108</u>

- D. Contributions and grants receivable are recorded as revenue when the unconditional promise is made and are considered implicitly time restricted. Management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors, including an assessment of the credit worthiness of its donors, aging of the amount due and historical experience. As of December 31, 2023 and 2022, management determined that an allowance for doubtful accounts was not necessary for contributions and grants receivable. Contributions and grants receivable due in more than one year are recorded at the present value of their estimated future cash flows, determined using risk-adjusted interest rates applicable to the years in which the promises are made. Contributions and grants receivable totaled \$1,240,125 and \$2,194,408 as of December 31, 2023 and 2022, respectively.
- E. Management considers a loan to be uncollectable when it is probable that Ascendus will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management evaluates loans that are uncollectable based on delinquency information, and an assessment of the borrower's financial condition. Uncollectable loans are written off when payments are past due 120 days or in some cases earlier.

The allowance for credit losses reflects management's estimate of lifetime credit losses inherent in loans as of the statement of financial position date. This is calculated using credit loss rates approved by the Board of Directors and is calculated based on the aging of loans historical write-off trends and other economic predictive considerations.

In addition to an allowance for losses evaluation, Ascendus maintains certain cash loan loss reserve funds in compliance with SBA regulations for both Microloan and Community Advantage programs. The table below shows, on December 31, 2023 and 2022, Ascendus' loan loss cash reserve position.

	<u>2023</u>	<u>2022</u>
Credit Loss Reserve for Community Advantage	\$ 103,000	\$ 110,000
Secured Credit Loss Reserve for the Microloan Program	\$ 630,985	\$ 994,277

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

Interest income on loans is recognized based on the principal amount outstanding and the related interest rate and is earned as accrued according to the terms of the issued notes. Due to the short nature of Ascendus' write-off policy, the accrual of interest on impaired loans continues to be calculated until the final decision of write-off or modification is determined.

Under certain circumstances, Ascendus will provide borrowers relief through loan restructuring or modification. A restructuring of debt constitutes an insignificant delay in payment resulting from a temporary deferral of terms and is not deemed to be a new loan. Ascendus, for economic or legal reasons related to the borrower's financial difficulties, may grant a modification of the borrower's loan which can include a reduction of interest rates, the extension of maturity dates, the forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. These modifications carefully consider all aspects of the terms and what would constitute a new loan based on FASB ASU 2022-02, Financial Instruments – Credit Losses (Topic 326), *Troubled Debt Restructurings and Vintage Disclosures*. When criteria is met for new loans, these are then tracked in the loan portfolio and are adequately included in the loss allowance provided for the loan portfolio.

Ascendus collected previously written off loan receivables of \$502,185 and \$420,876 for the years ended December 31, 2023 and 2022, respectively, which were recognized as an increase to the allowance for credit losses in the statement of net position for the year ended December 31, 2023, and as other revenue in the accompanying statement of activities for the year ended December 31, 2022. The process for accounting for the collection of previously written off loan receivables was changed during the year ended December 31, 2023 for better visibility when analyzing the allowance for credit losses. This change did not have a significant impact on net assets as of December 31, 2023 and 2022.

An analysis of the allowance for credit losses for the years ended December 31 follows:

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 1,609,634	\$ 1,177,577
Cumulative effect adjustment for CECL adoption	228,631	-
Provision for credit losses	3,483,724	956,523
Charge-offs	(2,190,704)	(524,466)
Recoveries	<u>502,185</u>	<u>-</u>
End of year	<u>\$ 3,633,470</u>	<u>\$ 1,609,634</u>

- F. U.S. GAAP requires that when a not-for-profit organization receives or makes loans of cash that carry interest rates below the prevailing market rate, the imputed interest be recorded as contributions received or paid, respectively. Ascendus both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. However, Ascendus considers its market to be the CDFI industry as opposed to the financial institutions industry in general. Consequently, Ascendus believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Ascendus accounts for these loans at the stated rates.
- G. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Ascendus capitalizes all property and equipment having a useful life of greater than one year and a cost of at least \$1,500 for tangible assets and \$25,000 or more for intangible assets. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts, with any net gain or loss reflected in the statement of activities for the period. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Ascendus capitalizes intangible assets, based on the internal and external costs incurred to develop in-house computer software during the application development stage. This includes the cost to develop or obtain software that allows for access or conversion of old data by new systems. Capitalized software is amortized over its estimated useful life.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

- H. Ascendus leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, Ascendus follows FASB ASU 2016-02, *Leases* (Topic 842) to report how leases are recognized and disclosed.
- I. For the years ended December 31, 2023 and 2022, Ascendus recorded the fair value of noncash contributions amounting to \$250,987 and \$30,091, respectively. Such amounts are included as noncash contributions and in-kind expenses in the accompanying statements of activities.

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2023:

<b>Nonfinancial Asset</b>	<b>Amount</b>	<b>Usage in Programs/Activities</b>	<b>Donor-imposed Restrictions</b>	<b>Fair Value Techniques</b>
Legal services	\$ 250,987	Management and general	No associated donor restriction	Based on current rates of services provided by law firm

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

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

- J. The costs of providing Ascendus' program and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated on a reasonable and consistent basis between program and supporting services principally based on an analysis of estimated time and effort. The expenses that are allocated include salaries, payroll taxes and employee benefits, professional fees, occupancy, communications, insurance, supplies, equipment, and other miscellaneous office expenses. Other costs are directly applied based on their explicit nature, including interest expense, provision for loan losses, outreach and similar as direct programmatic costs, and professional fees for audit, accounting, and development as costs for supporting services.
- K. Ascendus conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special event revenue in the accompanying statements of activities. No special events were held during the years ended December 31, 2023 and 2022.
- L. Ascendus earns program fees from loan origination, servicing and closing services. Performance obligations and price are defined within the contracts and obligations are determined to have been met by Ascendus upon completion of contracted deliverables or alternatively, according to a service schedule stipulated in the contract. Fees are earned over time as Ascendus meets these performance obligations.

Accounts receivables from contracts with customers are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Other receivables	\$ <u>15,124</u>	\$ <u>204,262</u>	\$ <u>263,636</u>

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- M. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- N. On January 1, 2023, Ascendus adopted ASU 2016-03, Financial Instruments—Credit Losses, (Topic 326), *Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Ascendus adopted Accounting Standards Codification (“ASC”) 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of \$228,631, which is presented as a reduction to net loans outstanding. Ascendus recorded a net decrease to net assets of \$228,631 as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustment noted above. Results for reporting periods beginning after January 1, 2023 are presented under CECL, while prior period amounts continue to be reported in accordance with previously applicable standards.

Management had revised its allowance for credit losses methodology to comply with ASC 326 by performing a historical analysis of collections in the past six years, identifying prospective changes to its underwriting and loan servicing criteria and practices and performing risk identifications.

The following table illustrates the impact on the allowance for credit losses from the adoption of ASC 326:

	<u>January 1, 2023 as reported under ASC 326</u>	<u>December 31, 2022 Pre- ASC 326 Adoption</u>	<u>Impact of ASC 326 Adoption</u>
Asset:			
Loans, at amortized costs			
Allowance for credit losses on loans	\$ <u>1,838,265</u>	\$ <u>1,609,634</u>	\$ <u>(228,631)</u>

- O. Certain items in the December 31, 2022 financial statements have been reclassified to conform with the December 31, 2023 presentation. These reclassifications had no impact on the change in net assets for the year ended December 31, 2022.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

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

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

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 23,686,753	\$ 26,940,161
Current Liabilities	5,683,017	4,157,633
Current Ratio	4.17	6.48

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)**

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

	2023	2022
Cash and cash equivalents	\$ 8,364,840	\$ 1,906,001
Contributions, grants and other receivables	1,255,249	2,398,670
Interest on loans receivable	441,575	154,232
Loans receivable, net	27,813,541	17,299,175
Total financial assets at year-end	37,875,205	21,758,078
Less: Net loans receivable due in over one year	(23,466,948)	(13,863,820)
Total financial assets at year-end available for general expenditures	\$ 14,408,257	\$ 7,894,258

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

**NOTE 4 – LOANS RECEIVABLE, NET**

Loans receivable consist of two primary types of lending: Core Loans and Participant Loans.

Core loans are made up of microloans (up to \$50,000), small business loans (over \$50,000), SBA Paycheck Protection Program (“PPP”) loans and line of credit loans.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables a business to obtain a loan from the SBA. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Ascendus is a qualified lender for the PPP program. PPP loans are 100% guaranteed by the SBA. Therefore, Ascendus does not reserve against potential losses on its outstanding PPP loans. The PPP program has expired and Ascendus expects any remaining loans to be forgiven or paid under the program.

Participants loans (up to \$250,000), consist of the various programs Ascendus works with to originate the loan and sell off or participate a designated portion, while retaining the rights to the full loan relationship. This includes loans related to our SBA CA program and other special-purpose programs. These sold portions continue to be serviced by Ascendus to manage the credit concentration(s) and performance of the portfolio. Ascendus participates in these programs to raise additional capital for growth and mitigate risk on loans that otherwise might not be done. Servicing activities are compensated over the life of the loan following each program’s associated contract. Any losses on these loans are likewise shared according to the associated participation agreement.

Participations sold represent the balance outstanding of loan participations owned by third parties. In 2023, Ascendus sold participation in 550 loans for a total of \$34.1 millions. In 2022, Ascendus sold participations in 488 loans for a total of \$27.3 million. Ascendus recorded the participating interests as an offset to loans receivable under the provisions of FASB ASC Topic 860, *Transfers and Servicing*.

The SBA allows the sale of the guaranteed portion of the CA loan on the secondary market. During 2023 and 2022, Ascendus realized a (loss) gain on the sale of the participated interest of \$0 and (\$28,409), respectively, which is included in program fees in the accompanying statements of activities.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

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

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 7,980,063	\$ 5,044,989
Due in over one year	<u>23,466,948</u>	<u>13,863,820</u>
	<u>\$ 31,447,011</u>	<u>\$ 18,908,809</u>

Loans receivable as of December 31, 2023 and 2022, include the following:

December 31, 2023

	<u>Term Loans</u>	<u>Line of Credit</u>	<u>Participations</u>	<u>Total</u>
Total portfolio managed	\$ 17,421,254	\$ 3,208,631	\$ 76,372,959	\$ 97,002,844
Less: Lines of credit (undrawn)	-	(1,234,024)	-	(1,234,024)
Less: Participations loans sold	-	-	<u>(64,321,809)</u>	<u>(64,321,809)</u>
Total loans receivable	17,421,254	1,974,607	12,051,150	31,447,011
Less: allowance for uncollectible loans	<u>(2,164,312)</u>	<u>(294,836)</u>	<u>(1,174,322)</u>	<u>(3,633,470)</u>
Loans receivable, net	<u>\$ 15,256,942</u>	<u>\$ 1,679,771</u>	<u>\$ 10,876,828</u>	<u>\$ 27,813,541</u>

December 31, 2022

	<u>Term Loans</u>	<u>Line of Credit</u>	<u>Participations</u>	<u>Total</u>
Total portfolio managed	\$ 15,295,996	\$ 1,426,525	\$ 43,341,935	\$ 60,064,456
Less: Line of credit (undrawn)	-	(399,319)	-	(399,319)
Less: Participation loans sold <sup>(1)</sup>	-	-	<u>(40,756,328)</u>	<u>(40,756,328)</u>
Total loans receivable	15,295,996	1,027,206	2,585,607	18,908,809
Less: allowance for credit losses	<u>(1,511,478)</u>	<u>(98,156)</u>	-	<u>(1,609,634)</u>
Loans receivable, net	<u>\$ 13,784,518</u>	<u>\$ 929,050</u>	<u>\$ 2,585,607</u>	<u>\$ 17,299,175</u>

An aged analysis of loans segregated by loan program as of December 31, 2023 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Term Loans	\$ 481,352	\$ 146,555	\$ 627,907	\$ 16,793,347	\$ 17,421,254
Line of Credit	103,276	52,560	155,836	1,818,771	1,974,607
Participation Loans (Net)	<u>86,584</u>	<u>61,447</u>	<u>148,031</u>	<u>11,903,119</u>	<u>12,051,150</u>
Loans Receivable	<u>\$ 671,212</u>	<u>\$ 260,562</u>	<u>\$ 931,774</u>	<u>\$ 30,515,237</u>	<u>\$ 31,447,011</u>

An aged analysis of loans segregated by loan program as of December 31, 2022 follows:

	<u>30 – 90 Days</u>	<u>Over 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Term Loans	\$ 466,282	\$ 251,920	\$ 718,202	\$ 14,627,794	\$ 15,345,996
Line of Credit	33,043	-	33,043	994,164	1,027,207
Participation Loans (Net)	<u>21,822</u>	<u>4,921</u>	<u>26,743</u>	<u>2,508,863</u>	<u>2,535,606</u>
Loans Receivable	<u>\$ 521,147</u>	<u>\$ 256,841</u>	<u>\$ 777,988</u>	<u>\$ 18,130,821</u>	<u>\$ 18,908,809</u>



**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

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

	2023	2022	Estimated Useful Lives
<b>Intangible assets:</b>			
Software Development	\$ 868,783	\$ 863,569	3 - 5 years
Less: accumulated amortization	<u>(850,029)</u>	<u>(765,137)</u>	
Net book value – intangible assets	18,754	98,432	
<b>Tangible assets:</b>			
Leasehold improvements	-	31,385	5 - 10 years
Computer hardware	170,426	269,497	3 - 5 years
Furniture, fixtures and equipment	<u>2,041</u>	<u>175,265</u>	3 - 5 years
Cost – tangible assets	172,467	476,147	
Less: accumulated depreciation	<u>(149,016)</u>	<u>(446,702)</u>	
Net book value – tangible assets	<u>23,451</u>	<u>29,445</u>	
Total Net book value	<u>\$ 42,205</u>	<u>\$ 127,877</u>	

Depreciation and amortization expense amounted to \$104,263 and \$124,741 for the years ended December 31, 2023 and 2022, respectively.

Ascendus wrote-off fully depreciated property and equipment with an original cost of \$317,057 during the year ended December 31, 2023.

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

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

	2023	2022
<b><u>Notes payable – secured</u></b>		
Secured borrowing with SBA and Federal Reserve Bank, secured by cash proceeds and program-funded loans, bearing fixed annual interest rates ranging from 0% to 1.63% and ten-year maturities	\$ 2,980,614	\$ 4,480,964
Undrawn Commitments	<u>-</u>	<u>(1,000,000)</u>
Notes payable – secured, net outstanding at year-end	2,980,614	3,480,964
<b><u>Notes payable – unsecured</u></b>		
Maturity terms range from two to seven years, bearing fixed annual interest rates from 1% to 3%	7,687,661	4,887,661
Undrawn Commitments	<u>(1,750,000)</u>	<u>-</u>
Notes payable – unsecured, net outstanding at year-end	<u>5,937,661</u>	<u>4,887,661</u>
<b>Total Secured and Unsecured Notes Payable</b>	<u>\$ 8,918,275</u>	<u>\$ 8,368,625</u>

**ASCENDUS, INC.**  
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**NOTE 6 – NOTES PAYABLE AND SUBORDINATED DEBT (Continued)**

<b>Total Secured and Unsecured Notes Payable – previous page</b>	\$ 8,918,275	\$ 8,368,625
<b><u>Line of Credit</u></b>		

Senior Unsecured revolving lines of credit for the purpose of lending. Maturity dates range from one to five years, bearing both variable and fixed interest rates. Fixed interest rates range from 3% – 5% and variable interest rates are SOFR+ 150. Total borrowing on the lines of credit were \$11,900,000 on April 24, 2024.

Total Commitment Amount	11,900,000	4,735,419
Less: Undrawn Lines of Credit	<u>(3,000,000)</u>	<u>(500,000)</u>
Total Amount Outstanding	<u>8,900,000</u>	<u>4,235,419</u>

**Subordinated debt – EQ2 Loans – unsecured**

The equity equivalent investment, commonly referred to in the community development financing industry as an “EQ2 Loan”, is designed by lenders to increase available funding and investments to economically disadvantaged communities. EQ2 loans are subordinated to Ascendus’ other lenders, and have ten-year maturities with fixed annual interest rates of 2.0% to 3.0%

	<u>6,000,000</u>	<u>5,500,000</u>
Total Notes payable and subordinated debt	<u>\$ 23,818,275</u>	<u>\$ 18,104,044</u>

Future annual principal payments due are as follows:

<u>Years ended December 31:</u>	<u>Amount</u>
2024	\$ 4,159,580
2025	2,647,484
2026	2,374,832
2027	2,612,343
2028	3,668,843
Thereafter	<u>8,355,193</u>
Total	<u>\$ 23,818,275</u>

Interest expense was \$589,549 and \$360,879 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 7 – LEASES**

Ascendus leases space in New York and Orlando expiring on March 30, 2026 and June 1, 2026, respectively. Under FASB ASU 2016-02, *Leases* (Topic 842) (“Topic 842”) these are recorded as operating right-of-use (“ROU”) assets and operating lease liabilities. As of December 31, 2023 and 2022, operating ROU assets totaled \$237,061 and \$52,353 and operating lease liabilities totaled \$237,800 and \$52,608, respectively, as shown in the statements of financial position. The operating ROU asset and lease liability were calculated utilizing the risk free discount rate for lease space in Orlando and New York of 1.37% and 3.81%, respectively.

Ascendus obtained a lease for computer hardware during the year ended December 31, 2023. Under Topic 842, this is recorded as a finance ROU asset and lease liability. As of December 31, 2023 and 2022, finance ROU assets totaled \$48,882 and \$0, respectively, and finance lease liability totaled \$49,421 and \$0, respectively. The calculation utilized was a 36-month lease with an interest rate of 4.49%, implicit in the lease agreement. The total interest expense for the year ended December 31, 2023 was \$999 and amortization expense amounts to \$11,406.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – LEASES (Continued)**

The table below shows other information related to operating and finance leases as of and for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash Paid in determination of operating lease liability	\$ 246,235	\$ 14,706
Principal repayments of finance lease liability	10,870	-
Weighted Average of the Remaining Lease - operating	27.5 months	42 months
Weighted Average Discount Rate - operating	3.43%	1.37%
Weighted Average of the Remaining Lease - finance	4.49%	- %
Weighted Average Discount Rate - finance	30 months	-

Future minimum lease payments are due as follows for the years ending after December 31, 2023:

Years ending December 31:	Operating Lease	Financing Lease
2024	\$ 108,024	\$ 20,936
2025	108,324	20,936
2026	<u>31,133</u>	<u>10,468</u>
Total Future Minimum Lease Payments	247,481	52,340
Less: Present value discount	<u>(9,681)</u>	<u>(2,919)</u>
Present value of lease liability	<u>\$ 237,800</u>	<u>\$ 49,421</u>

Operating lease costs of \$227,275 and \$253,813 were included in occupancy expenses in the accompanying statements of functional expenses for the years ended December 31, 2023 and 2022, respectively.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Ascendus believes it has no uncertain tax positions as of December 31, 2023 and 2022 in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

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

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

	<u>2023</u>	<u>2022</u>
Net Assets with Donor Restrictions		
Restricted for Operating Purpose	\$ 943,966	\$ 2,574,860
Restricted for Lending Purpose:		
Credit Risk	252,787	1,521,672
Lending	<u>1,716,738</u>	<u>1,905,000</u>
Total Restricted for Lending Purpose	<u>1,969,525</u>	<u>3,426,672</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,913,491</u>	<u>\$ 6,001,532</u>

Net assets with donor restrictions of \$4,604,041 and \$2,725,277 for the years ended December 31, 2023 and 2022, respectively, were released from donor restrictions by incurring expenditures satisfying the restricted purposes specified by the donors or the passage of time.

**ASCENDUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 – CONCENTRATIONS**

- A. Cash and cash equivalents that potentially subject Ascendus to a concentration of credit risk include cash accounts with three and two banks as of December 31, 2023 and 2022, respectively, that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2023 and 2022, there were approximately \$13,540,000 and \$19,254,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Management manages the risk by communicating with depository banks, monitoring ratios/call reports and press communications. In addition, levels of exposure above the FDIC levels are monitored and due diligence applied when the level is exceeded.
- B. In 2023, contributions from two donors represented 34% of total contribution revenues. In 2022, contributions from one donor represented 31% of total contribution revenue.

**NOTE 11 – RETIREMENT PLAN**

Ascendus participates in a retirement savings plan covering all employees who meet the minimum service requirements. Ascendus has the option to match employee contributions and/or make discretionary contributions to employees’ retirement plans. Ascendus made contributions of \$0 and of \$52,997 into the retirement savings for years ended December 31, 2023 and 2022, respectively.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 24, 2024, the date the financial statements were available to be issued.

In January 2024, Ascendus had obtained a promissory note in the amount of \$1 million, which is due and payable in January 2027.