

**AUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

**SECURED FINANCE NETWORK, INC.
AND AFFILIATE**

SEPTEMBER 30, 2024

SECURED FINANCE NETWORK, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Secured Finance Network, Inc. and Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Secured Finance Network, Inc. and Affiliate (the "Association" or "SFN"), which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of September 30, 2024 and 2023, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 the 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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.

In performing an audit in accordance with GAAS, 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 the Association'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 the Association'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating supplementary information on pages 21 - 26 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Freed Maxick P.C.

Buffalo, New York
December 20, 2024

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,

ASSETS	2024	2023
Current assets:		
Cash and cash equivalents	\$ 1,683,414	\$ 1,369,649
Investments, at fair value	4,486,373	4,383,188
Accounts receivable, net of credit losses	288,701	227,601
Pledge receivables, net of allowance	3,950	85,000
Prepaid expenses	780,711	716,471
Due from related parties	73,444	67,509
Other assets	3,318	3,318
Total current assets	7,319,911	6,852,736
Right-of-use asset - operating lease	386,276	609,611
Right-of-use asset - finance lease	21,811	-
Property, plant and equipment, net	73,273	92,733
Total assets	\$ 7,801,271	\$ 7,555,080
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 508,189	\$ 631,919
Deferred membership dues	780,507	775,701
Deferred revenue, convention	1,982,282	1,703,522
Deferred revenue, events	46,000	20,500
Deferred revenue, other	121,608	96,921
Current operating lease liability	253,343	242,801
Current finance lease liability	6,292	-
Current portion of long-term debt	54,605	44,000
Total current liabilities	3,752,826	3,515,364
Accrued pension and other post-employment benefits	30,839	89,930
Lease liability for operating lease	177,659	431,010
Lease liability for finance lease	16,253	-
Long-term debt	1,901,023	1,956,000
Total liabilities	5,878,600	5,992,304
Net assets:		
Without donor restrictions	1,922,671	1,562,776
Total liabilities and net assets	\$ 7,801,271	\$ 7,555,080

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2024</u>	<u>2023</u>
Changes in net assets without donor restrictions:		
Operating activities:		
Revenue:		
Education	\$ 226,723	\$ 210,779
Conventions and conferences	3,448,542	3,161,474
Publications	533,424	631,514
Membership	1,877,120	1,796,351
Chapter	12,000	10,000
Events	252,050	297,550
Contributions	502,225	439,658
Contributed services	309,000	292,350
Total revenue	<u>7,161,084</u>	<u>6,839,676</u>
Expenses:		
Program services:		
Conventions and conferences	3,300,429	2,648,641
Publications	585,452	605,117
Educational programs	475,851	646,941
Foundation events	193,849	214,103
Members	403,850	416,778
Total program services	<u>4,959,431</u>	<u>4,531,580</u>
Support services:		
Management and general	2,264,954	2,042,628
Total support services	<u>2,264,954</u>	<u>2,042,628</u>
Total expenses	<u>7,224,385</u>	<u>6,574,208</u>
Change in net assets from operations	<u>(63,301)</u>	<u>265,468</u>
Non-operating income (expense):		
Other income	28,576	20,150
Interest and net investment income	106,201	11,781
Investment fees	(16,348)	(15,407)
Interest expense	(45,381)	-
Unrealized gain on investments	193,068	115,923
Realized gain on investments	109,295	85,806
Change in pension funded status	47,785	94,215
	<u>423,196</u>	<u>312,468</u>
Change in net assets without donor restrictions	359,895	577,936
Net assets, beginning of year	<u>1,562,776</u>	<u>984,840</u>
Net assets, end of year	<u>\$ 1,922,671</u>	<u>\$ 1,562,776</u>

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 359,895	\$ 577,936
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	23,687	23,215
Realized gain on sale of investments	(109,295)	(85,806)
Unrealized gain on investments	(193,038)	(115,923)
Bad debt recovery	(16,214)	(71,234)
Change in pension funded status	(47,785)	(94,215)
Decrease (increase) in assets:		
Accounts receivable	(55,336)	129,665
Pledge receivables	91,500	(5,800)
Prepaid expenses	(64,240)	(428,703)
Operating lease right-of-use assets	223,335	218,471
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(123,730)	183,218
Deferred membership dues	4,806	11,904
Deferred revenue, convention	278,760	82,032
Deferred revenue, events	25,500	(9,000)
Deferred revenue, other	24,687	39
Lease liability for operating lease	(242,809)	(229,647)
Accrued pension and other post-employment benefits	(11,306)	(2,680)
Net cash flows provided by operating activities	<u>168,417</u>	<u>183,472</u>
Cash flows from investing activities:		
Proceeds from sale of investments	6,249,963	8,099,458
Purchases of investments	<u>(6,050,815)</u>	<u>(10,425,759)</u>
Net cash flows provided (used) by investing activities	<u>199,148</u>	<u>(2,326,301)</u>
Cash flows from financing activities:		
Repayments on line of credit	-	(2,550)
Repayments on EIDL loan	(44,372)	-
Principal payments on finance leases	(3,493)	-
Payments to related parties	<u>(5,935)</u>	<u>(3,500)</u>
Net cash flows used by financing activities	<u>(53,800)</u>	<u>(6,050)</u>
Net increase (decrease) in cash and cash equivalents	313,765	(2,148,879)
Cash and cash equivalents - beginning of year	<u>1,369,649</u>	<u>3,518,528</u>
Cash and cash equivalents - end of year	<u>\$ 1,683,414</u>	<u>\$ 1,369,649</u>
Non-cash transactions:		

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Conventions and Conferences	Publications	Educational Programs	Foundation Events	Members	Total Program	Management and General	Total
Salaries and wages	\$ 492,572	\$ 264,743	\$ 171,452	\$ -	\$ 225,302	\$ 1,154,069	\$ 578,249	\$ 1,732,318
Meals - meeting facilities	760,229	-	207	-	-	760,436	5,700	766,136
Professional fees - other	104,672	24	70,425	-	-	175,121	348,680	523,801
Legal - legislative	-	-	-	-	-	-	336,215	336,215
Bonus	167,925	53,736	53,736	-	50,378	325,775	10,075	335,850
Contributed expenses	249,340	-	64,200	-	-	313,540	-	313,540
Marketing and promotions	263,456	1,560	-	1,732	178	266,926	30,045	296,971
Accounting/Audit	142,674	45,656	45,656	-	42,802	276,788	8,560	285,348
Audio/Visual	237,990	-	10,454	35,789	-	284,233	864	285,097
Lease expense	-	-	-	-	-	-	249,865	249,865
Software license fees	918	261	130	-	109	1,418	184,535	185,953
Meeting facility costs	24,730	-	-	120,591	-	145,321	-	145,321
Instructor/Speaker fees	136,542	-	-	-	-	136,542	-	136,542
Payroll taxes	61,668	19,734	19,734	-	18,501	119,637	3,699	123,336
Bank and service charges	-	-	-	-	-	-	120,653	120,653
Commissions	86,261	25,745	-	-	4,044	116,050	-	116,050
Hotel - meeting facility	104,669	-	-	762	-	105,431	-	105,431
Legal - general	-	-	-	-	-	-	105,365	105,365
Printing and copying	16,349	84,379	-	2,946	-	103,674	88	103,762
Health insurance	26,747	22,067	6,948	-	7,367	63,129	38,561	101,690
Event reception	81,916	-	25	4,260	205	86,406	-	86,406
Office expenses	28,409	9,091	9,091	-	8,523	55,114	1,703	56,817
Actuary	-	-	-	-	-	-	54,946	54,946
401k contribution	6,138	6,200	2,277	-	9,748	24,363	28,817	53,180
Tournaments and tours	51,205	-	-	-	-	51,205	-	51,205
Travel - other	26,727	-	292	1,382	2,056	30,457	17,761	48,218
Postage and freight	16,956	27,289	-	-	1,582	45,827	424	46,251
Miscellaneous event expenses	21,667	-	-	16,740	2,000	40,407	1,658	42,065
Conference booths	31,280	-	-	-	8,446	39,726	-	39,726
Severance	39,214	-	-	-	-	39,214	-	39,214
Charitable contributions	12,578	-	-	7,695	2,500	22,773	16,250	39,023
HSA contribution	17,315	5,541	5,541	-	5,194	33,591	1,038	34,629
Hotel	18,346	-	-	-	1,368	19,714	9,869	29,583
Other insurance	7,171	20	1,022	-	143	8,356	21,147	29,503
Dues and subscriptions	937	133	2,208	-	3,489	6,767	21,187	27,954
Liability insurance	11,469	3,670	3,670	-	3,441	22,250	688	22,938
D&O insurance	10,623	3,399	3,399	-	3,187	20,608	637	21,245
Airfare	5,942	-	-	-	512	6,454	13,497	19,951
Depreciation	-	-	-	-	-	-	19,460	19,460
Telephone	9,053	2,897	2,897	-	2,716	17,563	542	18,105
Professional development	4,276	-	2,750	-	-	7,026	8,328	15,354
Contract labor	3,253	9,053	-	-	-	12,306	-	12,306
Meals	4,295	-	882	-	842	6,019	4,716	10,735
Instructor/Speaker expenses	8,690	-	-	-	-	8,690	-	8,690
Awards	1,771	-	154	243	-	2,168	6,266	8,434
Office rent	3,668	1,174	1,174	-	1,101	7,117	218	7,335
Entertainment	-	-	26	-	29	55	5,397	5,452
Payroll processing	-	-	-	-	-	-	4,559	4,559
Event advertising & promo	2,416	-	-	855	-	3,271	-	3,271
Event rental fee	2,861	-	-	-	-	2,861	-	2,861
Event entertainment	1,548	-	-	854	-	2,402	-	2,402
Meeting registration	150	-	95	-	415	660	1,700	2,360
Miscellaneous expenses	128	-	-	-	104	232	2,055	2,287
Photography	1,340	825	-	-	-	2,165	-	2,165
Gifts	-	200	-	-	-	200	1,425	1,625
Publishing costs	-	821	-	-	-	821	-	821
Computer accessories	452	20	-	-	-	472	60	532
State income taxes	-	-	-	-	-	-	250	250
Auto	-	-	-	-	-	-	83	83
Royalties	-	(192)	-	-	-	(192)	(394)	(586)
Bad debt recovery	(8,107)	(2,594)	(2,594)	-	(2,432)	(15,727)	(487)	(16,214)
Total expenses	\$ 3,300,429	\$ 585,452	\$ 475,851	\$ 193,849	\$ 403,850	\$ 4,959,431	\$ 2,264,954	\$ 7,224,385

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Conventions and Conferences	Publications	Educational Programs	Foundation Events	Members	Total Program	Management and General	Total
Salaries and wages	\$ 432,708	\$ 252,292	\$ 131,978	\$ -	\$ 222,296	\$ 1,039,274	\$ 475,559	\$ 1,514,833
Meals - meeting facilities	550,137	-	-	-	-	550,137	989	551,126
Bonus	201,351	64,432	64,432	-	60,405	390,620	12,081	402,701
Professional fees - other	69,331	-	56,151	-	10,000	135,482	224,166	359,648
Contributed expenses	4,735	-	292,350	-	-	297,085	-	297,085
Legal - legislative	-	-	-	-	-	-	278,277	278,277
Accounting/Audit	134,389	43,004	43,004	-	40,317	260,714	8,063	268,777
Lease expense	-	-	-	-	-	-	249,707	249,707
Audio/Visual	202,275	-	48	28,615	-	230,938	-	230,938
Marketing and promotions	171,329	-	-	-	4,946	176,275	52,283	228,558
Event reception	226,873	-	-	-	-	226,873	-	226,873
Software license fees	762	262	-	-	261	1,285	201,195	202,480
Meeting facility costs	-	-	-	148,203	-	148,203	-	148,203
Commissions	81,571	31,556	-	-	17,524	130,651	-	130,651
Hotel - meeting facility	130,164	-	-	-	-	130,164	26	130,190
Printing and copying	6,348	104,985	-	2,883	-	114,216	680	114,896
Payroll taxes	55,601	17,792	17,792	-	16,680	107,865	3,336	111,201
Bank and service charges	-	-	-	923	-	923	110,017	110,940
Health insurance	17,721	21,096	3,462	-	7,044	49,323	56,793	106,116
Legal - general	-	-	-	-	-	-	102,693	102,693
Instructor/Speaker fees	90,175	-	-	7,500	-	97,675	-	97,675
Office expenses	41,206	13,186	13,186	-	12,362	79,940	2,472	82,412
Tournaments and tours	56,520	-	-	-	-	56,520	-	56,520
Actuary	-	-	-	-	-	-	55,742	55,742
401k contribution	7,967	6,108	2,594	-	8,563	25,232	28,261	53,493
Postage and freight	11,555	32,700	15	17	364	44,651	3,581	48,232
Professional development	-	-	-	-	3,495	3,495	40,469	43,964
Hotel	25,183	-	-	723	1,442	27,348	8,978	36,326
Airfare	13,990	-	-	-	2,116	16,106	18,658	34,764
Instructor/Speaker expenses	17,488	-	-	-	-	17,488	16,000	33,488
HSA contribution	16,093	5,150	5,150	-	4,828	31,221	965	32,186
Event entertainment	26,343	-	-	-	-	26,343	698	27,041
Travel - other	11,653	-	1,556	134	526	13,869	12,767	26,636
Depreciation	-	-	-	-	-	-	23,215	23,215
Liability insurance	10,462	3,348	3,348	-	3,138	20,296	628	20,924
Other insurance	1,479	(98)	472	-	7	1,860	18,656	20,516
Telephone	10,128	3,241	3,241	-	3,039	19,649	606	20,255
D&O insurance	10,051	3,216	3,216	-	3,015	19,498	604	20,102
Conference booths	19,450	-	-	-	390	19,840	-	19,840
Dues and subscriptions	3,865	799	-	-	792	5,456	11,313	16,769
Meals	3,857	-	218	5,476	278	9,829	5,324	15,153
Contract labor	2,563	6,884	-	900	-	10,347	3,805	14,152
Awards	5,182	-	-	7,180	-	12,362	1,605	13,967
Severance	-	-	11,848	-	-	11,848	-	11,848
Photography	3,170	5,862	-	1,549	-	10,581	-	10,581
Charitable contributions	65	-	-	5,000	-	5,065	3,515	8,580
Miscellaneous event expenses (income)	1,134	-	-	5,000	-	6,134	705	6,839
Office rent	2,816	901	901	-	845	5,463	168	5,631
Payroll processing	-	-	-	-	-	-	5,222	5,222
Meeting registration	-	-	195	-	2,500	2,695	2,065	4,760
Event advertising & promo	4,519	-	-	-	-	4,519	-	4,519
Gifts	100	-	3,191	-	-	3,291	328	3,619
Entertainment	1,739	-	-	-	-	1,739	97	1,836
Miscellaneous expenses (income)	100	-	-	-	290	390	1,440	1,830
Auto	110	-	-	-	-	110	472	582
Computer accessories	-	-	-	-	-	-	405	405
State income taxes	-	-	-	-	-	-	352	352
Bookstore	-	-	(10)	-	-	(10)	-	(10)
Royalties	-	(202)	-	-	-	(202)	(215)	(417)
Bad debt recovery	(35,617)	(11,397)	(11,397)	-	(10,685)	(69,096)	(2,138)	(71,234)
Total expenses	\$ 2,648,641	\$ 605,117	\$ 646,941	\$ 214,103	\$ 416,778	\$ 4,531,580	\$ 2,042,628	\$ 6,574,208

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Secured Finance Network, Inc., hereinafter referred to as “the Association” or “SFN”, was incorporated in the state of Delaware on March 9, 1953 and is a not for profit organization exempt from Federal taxes under Section 501(c)(6) of the Internal Revenue Code.

Founded in 1944, SFN is an international trade organization headquartered in New York City and is dedicated to the asset-based lending and factoring service industries. The Association provides networking, education, and advocacy services to its clients, and has approximately 270 member companies and 21 chapters. Members include the asset-based lending arms of domestic and foreign commercial banks, small and large independent finance companies, factoring organizations and financing subsidiaries of major industrial corporations. SFN membership is by organization, not by individual, and is comprised of approximately 30% banks and 70% non-bank financial institutions.

The Association offers several publications, including The Secured Lender, which publishes eight (8) print issues per year that is devoted exclusively to the asset-based financial services industry. TSL Express email news bulletin, which is sent out daily, features links to breaking industry news, deals and personnel announcements and also features original content. Additionally, SFN’s website, www.sfnet.com, contains industry information for its members and industry service providers, as well as those seeking financing. TSL’s Deal Alert monthly newsletter informs readers of the most recent deals closed in the industry. The SFN Newsletter is another monthly publication, which covers all of SFN’s events and latest offerings.

SFN conducts conventions, meetings and educational events throughout the year including but not limited to the Annual Convention; Asset-Based Capital Conference; and the Independent Finance and Factoring Roundtable.

Secured Finance Foundation, hereinafter referred to as “the Foundation” was incorporated in the state of Delaware in 1990 and is a not for profit organization exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation was formed primarily to raise funds for the development of asset-based lending and factoring educational programs for SFN. Over the years, the Foundation has been supported, not only financially, but with the time and efforts of some of the more significant institutions and individuals in the industry, in particular, the consultants, accountants, field examiners, appraisers, and lawyers that are a critical part of the day-to-day business of commercial finance.

Thanks to such support, the Foundation has been essential in funding, among other things: the development of new education programs; industry studies; marquee speakers at major SFN events; and educational programs at the chapter level.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Principles of Consolidation: The consolidated financial statements include the accounts of SFN and the Foundation, which are under common control. All significant intercompany balances and transactions have been eliminated in consolidation. Collectively, these entities are referred to as “the Association.”

Basis of Presentation: The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. A summary of the major accounting policies followed in the preparation of the accompanying consolidated financial statements, which conform to accounting principles generally accepted in the United States of America (U.S. GAAP), is presented below.

Accounting Estimates: The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Net Assets: The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Association, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Association must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Association, unless the donor provides more specific directions about the period of its use. There are no net assets with donor restrictions at September 30, 2024 and 2023.

Classification of Transactions: All revenues and net gains are reported as increases in net assets without donor restrictions in the consolidated statements of activities and changes in net assets unless the donor specified the use of the related resources for a particular purpose or in a future period.

Expense Recognition and Allocation: The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include various overhead expenses, which are allocated based on space used or actual usage, as well as salaries, bonuses, and payroll taxes which are allocated on the basis of a percentage of time incurred. Every year the basis on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Association.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Association generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Valuation of Long-Lived Assets: The Association periodically evaluates the carrying value of long-lived assets to be held and used and long-lived assets to be disposed of when events and circumstances warrant such review. These evaluations and reviews are generally done in conjunction with the annual business planning cycle. If the carrying value of a long-lived asset is considered impaired, a loss is recognized in the following manner: (1) based on the amount by which the carrying value exceeds the fair value of the long-lived asset for assets to be held and used, or (2) the amount by which the carrying value exceeds the fair value less cost of asset disposal. Fair value is determined primarily using the anticipated cash flows. There have been no asset impairments at September 30, 2024 and 2023.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Cash and Cash Equivalents: Cash equivalents are defined as short-term, highly liquid investments with original maturities of 90 days or less.

Investments: As defined by U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association's investments consist of U.S. Treasury Bills and, various exchange traded funds consisting of fixed income, domestic equities, and international equities that are purchased through mutual funds, closed end funds, and unit investment trusts, which are publicly traded on national securities exchanges and have readily available quoted market values. Such investments are recorded at fair values (see Note 4).

Interest and investment income primarily include interest earned on long-term investment funds and fixed income securities and dividends earned on equity securities.

Accounts Receivable: The Association carries its accounts receivable at amounts invoiced less an allowance for credit losses. Credit is extended primarily to its members for dues and services. The net receivables at September 30, 2024 amounted to approximately \$289,000 (\$228,000 - 2023). On a periodic basis, the Association evaluates its allowance for credit losses, based upon history of past write-offs and collections. Management has determined that an allowance for credit losses of approximately \$34,000 was necessary as of September 30, 2024 (\$40,000 - 2023). Accounts receivable at September 30, 2022 amounted to approximately \$286,000.

Allowance for Credit Losses: In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were accounts receivable. The allowance estimate is derived from a review of the Association's historical losses based on the aging of receivables and is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Association. The Association believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. The Association adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

Pledge Receivables: Pledge receivables are recorded in accordance with Accounting Standards Codification (ASC) Topic 958, which requires that contributions are recorded as revenue when an unconditional promise to give is received. The Association recognizes pledge receivables in the consolidated statements of financial position at their fair values. The net pledge receivables at September 30, 2024 amounted to \$3,950 (\$85,000 - 2023). Management has determined that an allowance for doubtful accounts of \$30,550 was necessary as of September 30, 2024 (\$41,000 - 2023).

Other Assets: Other assets are comprised of items available for sale on the SFN website.

Property and Equipment: Property and equipment are stated at cost. Depreciation and amortization is determined using the straight-line method over the estimated useful lives of the depreciable assets, which range from three to seven years.

The estimated useful lives of leasehold improvements are the lesser of the estimated life of the improvement or the remaining term of the lease.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Major renewals and improvements that extend the useful life of the assets are capitalized while minor replacements, maintenance, and repairs are charged to current operations as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the consolidated statements of financial position and any gain or loss is reflected in the consolidated statements of activities and changes in net assets.

Deferred Membership Dues: Deferred membership dues represent the invoicing of potential members who have not yet renewed their membership, as well as members who have already paid.

Deferred Convention Revenue: Deferred convention revenue represents amounts collected as of the years ended September 30, 2024 and 2023 relating to SFN's annual convention, which was held in November 2024 and November 2023, respectively. Deferred convention revenue amounted to \$1,982,282 as of the year ended September 30, 2024 (\$1,703,522 - 2023).

Deferred Events Revenue and Other Deferred Revenue: Deferred events revenue and other deferred revenue is comprised of amounts relating to deferred events; education revenue; magazine subscriptions; conference registrations; and customer credits. Deferred events revenue represents prepayments of registrants for SFN sponsored events being held subsequent to September 30, 2024, which amounted to \$46,000 (\$20,500 - 2023). Deferred education revenue represents prepayments of registrants for SFN sponsored educational seminars being held subsequent to September 30, 2024, which amounted to \$6,240 (\$8,685 - 2023). Deferred subscriptions revenue represents the invoicing of potential subscribers who have not yet renewed their subscription, as well as subscribers who have already paid, which amounted to \$50,272 as of September 30, 2024 (\$22,750 - 2023). Customer credits are established upon either the cancellation of registrations for conferences and educational events after a specified date or the return of merchandise. These credits will expire over a twelve-month period and amounted to \$65,096 as of September 30, 2024 (\$65,486 - 2023).

Risks and Uncertainties: The Association attempts to diversify its investment portfolios. Investment securities are exposed to various risks, such as interest rates, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances, as reported.

The financial markets' volatility may significantly impact the subsequent valuation of the Association's investments. Accordingly, the valuation of investments at September 30, 2024 and 2023 may not necessarily be indicative of amounts that could be realized in a current market exchange.

Revenue Recognition: The Association adheres to Accounting Standards Update 2014-09 (ASC 606) *Revenue from Contracts with Customers*. ASC 606 requires an entity to recognize revenue to depict the transfer of control of services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those services. A performance obligation is a promise in a contract to transfer a distinct service to a customer. The Association recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

The timing of revenue recognition may not align with the right to invoice the customer. The Association records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Ending balances as of September, 2022, were as follows:

	<u>2022</u>
Accounts receivable, net credit losses	\$ 286,032
Deferred revenue	<u>2,511,669</u>
	<u>\$ 2,797,701</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

For performance obligations related to membership dues, control transfers to the customer over time. Membership dues are recognized ratably over the membership period, which is typically one year, which begins in the first month of the member's anniversary period. The portion of dues that relates to a membership period extending beyond September 30, 2024 and 2023 is reported as deferred membership dues in the accompanying consolidated statements of financial position.

For performance obligations related to registration fees for conventions, conferences, other events, and educational seminars, control transfers to the customer at a point in time. Revenues from conventions, conferences, other events, and educational seminars are recognized in the period in which the event or seminar is held. The portion relating to an event or seminar that is held subsequent to September 30, 2024 and 2023 is reported as deferred revenue, other in the accompanying consolidated statements of financial position.

Contributions are recognized as revenue at the date received and are considered to be available for unrestricted use unless specifically restricted by the contributor. Long-term unconditional promises to give are recorded as contributions at the net present value of the amounts expected to be collected. The discounts on these amounts are computed using risk-free interest rates applied to expected cash flows after any allowance for doubtful accounts applicable to the years in which the promises are received.

For performance obligations related to on-line sales of books and publications, revenue is recognized at the time materials are shipped to the customer and when the risk of loss and title transfers to the customer. Returns of books and publications are accepted for a reasonable length of time after the sale date. No reserve for returns has been established due to its immaterial nature.

For performance obligations related to contributed services control transfers to the customer at a point in time. A number of volunteers contribute significant time to the activities of the Association. Donated services are recorded as revenue, along with the corresponding expenses, at the fair value of the services donated only for those contributed services that require specialized skills and are provided by individuals possessing those skills and that the Association would otherwise be required to purchase had they not been contributed.

Other income consists primarily of auction proceeds from the annual convention, which are recognized upon the occurrence of the sponsored event.

Disaggregation of revenue:

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended September 30:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time:		
Convention and conferences	\$ 3,448,542	\$ 3,161,474
Events	252,050	297,550
Education	226,723	210,779
Contributions	502,225	439,658
Contributed services	309,000	292,350
Other income	<u>40,575</u>	<u>30,150</u>
	<u>4,779,115</u>	<u>4,431,961</u>
Performance obligations satisfied over time:		
Member dues	1,877,120	1,796,351
Publications	<u>533,424</u>	<u>631,514</u>
	<u>2,410,544</u>	<u>2,427,865</u>
Total revenue subject to ASC 606	<u>\$ 7,189,659</u>	<u>\$ 6,859,826</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Concentration of Credit Risk: Financial instruments that potentially subject the Association to concentrations of credit risks primarily consist of cash and cash equivalents, investments, and accounts receivable.

The Association places its cash and cash equivalents with high credit quality financial institutions. Cash balances are insured by the FDIC up to \$250,000 per depositor; however, at times, such balances with any one financial institution may be in excess of FDIC insurance limits. Furthermore, cash balances held by third parties, i.e. PayPal, Inc., are not covered under the FDIC Act unless PayPal acts as an agent for its customers and places funds into an FDIC insured institution. The Organization's cash balance on deposit at September 30, 2024 exceeded the balance insured by the FDIC by \$573,846 (\$677,077 - 2023). The Association has investments in various exchange traded funds.

The Association extends credit based upon an evaluation of the customer's/member's financial condition and generally collateral is not required on accounts receivable. Generally, the Association maintains an allowance for credit losses based upon factors surrounding the credit risk of customers/members, historical trends, and other information. To date, such losses have been within management's expectations.

Income Taxes: As stated in Note 1 to these consolidated financial statements, the Association and the Foundation are not for profit entities as described under Sections 501(c)(6) and Sections 501(c)(3), respectively, of the Internal Revenue Code.

U.S. GAAP provides guidance on the financial statement recognition and measurement for income tax position that the Association has taken or expects to take in the Association's income tax returns. The Association takes many tax positions relative to tax laws, including those taken in determining whether tax is due, a refund is owed, a tax return needs to be filed, or the characterization of income is taxable (for example, unrelated business income) or nontaxable. The Association has not recorded any liabilities relating to uncertain tax positions.

Contributed Nonfinancial Assets: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Association adopted ASU 2020-07 on October 1, 2022 (see Note 14).

Leases: The Association determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Association obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Association also considers whether its service arrangements include the right to control the use of an asset.

The Association recognizes most leases on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities and changes in net assets.

The Association made an accounting policy election available under ASC Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of ASC Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Association made an accounting policy election available to non-public companies to utilize its incremental borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC Topic 842).

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Association has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all leases. The non-lease components typically represent additional services transferred to the Association such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of September 30, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Current financial assets:		
Cash and cash equivalents	\$ 1,683,414	\$ 1,369,649
Investments	4,486,373	4,383,188
Accounts receivable, net credit losses	288,701	227,601
Pledge receivables, net of allowance	<u>3,950</u>	<u>85,000</u>
Amount available for general expenditures within one year	<u>\$ 6,462,438</u>	<u>\$ 6,065,438</u>

To help manage unanticipated liquidity needs, the Association has a committed line of credit with additional availability in the approximate amount of \$765,000 which it could draw upon (see Note 6).

NOTE 4. FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a fair value hierarchy that requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP's valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect the Association's market assumptions. U.S. GAAP classifies these inputs into the following hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Following is a description of the valuation methodologies used at September 30, 2024 and 2023.

U.S. Treasury Bills: Valued at the closing price reported on the active market on which the individual U.S. treasury bills are traded. U.S. Treasury Bills are classified as a level 1 investments.

Exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded. Exchange traded funds are classified as level 1 investments.

The following tables set forth financial assets measured at fair value in the statements of financial position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of September 30, 2024 and 2023:

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

Assets at Fair Value as of September 30, 2024				
<u>Asset Type</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
U.S. Treasury Bills	\$ 3,982,653	\$ -	\$ -	\$ 3,982,653
Exchange traded funds	<u>503,720</u>	<u>-</u>	<u>-</u>	<u>503,720</u>
Total	<u>\$ 4,486,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,486,373</u>

Assets at Fair Value as of September 30, 2023				
<u>Asset Type</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
U.S. Treasury Bills	\$ 3,989,143	\$ -	\$ -	\$ 3,989,143
Exchange traded funds	<u>394,045</u>	<u>-</u>	<u>-</u>	<u>394,045</u>
Total	<u>\$ 4,383,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,383,188</u>

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of September 30:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Computer software	\$ 693,905	\$ 693,905
Furniture and fixtures	213,010	213,010
Leased equipment	179,783	179,783
Computer equipment	145,216	145,216
Leasehold improvements	123,759	123,759
Convention equipment	<u>2,426</u>	<u>2,426</u>
Total	1,358,099	1,358,099
Less: accumulated depreciation and amortization	<u>1,284,826</u>	<u>1,265,366</u>
Total property and equipment, net	<u>\$ 73,273</u>	<u>\$ 92,733</u>

Depreciation and amortization charged to expense for the year ended September 30, 2024 was \$19,460 (\$23,215 - 2023).

NOTE 6. LINE OF CREDIT AGREEMENT

Pursuant to an agreement with Merrill Lynch, the Association maintains a secured revolving line of credit, which is due on demand. The agreement enables the Association to borrow an amount equaling approximately sixty percent (60%) of the exchange traded funds balance, which changes daily and is based on the nature of the holdings, plus ninety-five percent (95%) of the preferred money deposit account. The borrowing base is further reduced by a standby letter of credit that is pledged as collateral against the account (see Note 7). In the event the value of the investments falls below the required minimum collateral, Merrill Lynch will initiate a collateral call to reinstate the borrowings to the values in the agreement. As of September 30, 2024, the line of credit allows for borrowings of up to approximately \$765,000 (\$710,000 - 2023). Interest is payable based on Daily Simple SOFR Loan Rate (4.96% at September 30, 2024). There was no outstanding balance on the line as of September 30, 2024 and 2023.

NOTE 7. STANDBY LETTER OF CREDIT

On April 10, 2008, the Association entered into an agreement with Merrill Lynch to establish an irrevocable standby letter of credit for an amount up to \$150,000, which is renewable annually and serves as a security deposit for the Organization's general and executive office space (See Note 10).

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. NOTES PAYABLE

Notes payable consists of the following as of September 30:

	<u>2024</u>	<u>2023</u>
SBA - economic injury disaster loan	\$ 1,955,628	\$ 2,000,000
Less: current portion, net	<u>54,605</u>	<u>44,372</u>
	<u>\$ 1,901,023</u>	<u>\$ 1,955,628</u>

SBA - Economic Injury Disaster loan: On November 11, 2021, SFN was approved and received \$ 2,000,000, through U.S Small Business Administration (SBA) authorized under Section 7(b) of the Small Business Act through a COVID-19 economic injury disaster loan (EIDL). Under the terms of the EIDL, monthly installment payments including principal and interest of \$8,975 began in December 2023. The balance of the principal and interest will be due in 30 years from the date of the promissory note and bears interest at 2.75%. The EIDL is collateralized by substantially all of the assets of SFN.

Future minimum payments SBA - economic injury disaster loan for years subsequent to September 30, 2024 are approximately as follows:

2025	\$ 54,605
2026	56,126
2027	57,689
2028	59,295
2029	60,947
Thereafter	<u>1,666,966</u>
	<u>\$ 1,955,628</u>

NOTE 9. RELATED PARTY TRANSACTIONS

The Association, in the ordinary course of business, obtains from and grants cash advances to its local chapters. These advances are unsecured, non-interest bearing and have no terms of repayment. Balance as of year ended September 30, 2024 amounts to \$73,444 (\$67,509 - 2023).

NOTE 10. LEASES

The Association leases office premises at 7 Penn Plaza, New York, NY under a non-cancelable operating lease that expires in May 2026. In addition to base rental payments, the lease generally provides the lessee to pay real estate taxes and certain other operating costs of the leased property. This lease agreement includes scheduled lease increases over the term of the lease, which in accordance with U.S. GAAP will be recognized on a straight-line basis over the term of the lease.

In lieu of a cash security deposit, an irrevocable standby letter of credit in the amount of \$175,000 must maintain in effect at all times during the term of lease or replaced with cash security. As the Association was not in default under the lease agreement after three years, the letter of credit was reduced to \$150,000 during the year ended September 30, 2013 (See Note 7).

Lease expense, which includes real estate taxes and certain other operating costs, under this lease was \$257,201 (\$255,337 - 2023) before the Foundation reimbursement of \$30,000 for the year ended September 30, 2024 and 2023. These net expenses have been allocated to the management and general expenses in the accompanying consolidated financial statements.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. LEASES (CONTINUED)

The Association also leases a copier under a finance lease agreement with an original term of 4 years. The Association's finance lease does not contain any material restrictive covenants or residual value guarantees.

Weighted average lease terms and discount rates are as follows as of September 30:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term:		
Operating leases	1.7 years	1.6 years
Finance leases	3.4 years	N/A
Weighted-average discount rate:		
Operating leases	4.01%	4.10%
Finance leases	3.88%	N/A

The aggregate future lease payments for operating and finance leases as of September 30, 2024 were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 265,145	\$ 7,056
2026	179,759	7,056
2027	-	7,056
2028	-	2,940
	<u>444,904</u>	<u>24,108</u>
Total minimum lease payments	\$ 444,904	\$ 24,108
Less: imputed interest	<u>(13,902)</u>	<u>(1,563)</u>
Lease liabilities at September 30, 2024	431,002	22,545
Less: current portion	<u>(253,343)</u>	<u>(6,292)</u>
Non-current portion of lease liabilities	<u>\$ 177,659</u>	<u>\$ 16,253</u>

NOTE 11. COMMITMENTS

Employment Contract: The Association is obligated under an employment agreement with an officer effective April 12, 2021, continuing through September 30, 2025. The agreement provides for among other things, duties of the officer, compensation, benefits, and criteria for incentive compensation.

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

The Association is the sponsor and administrator of a defined contribution pension plan (the "Plan"). All employees of the Association are eligible to participate in the Plan after the first six (6) months of continuous full-time employment. The Association currently contributes three percent (3%) of each participating employee's annual salary toward this Plan. However, the Association may, at its discretion, terminate such contributions at any time and for any reason but such termination shall not affect any participating employee's right to contributions made prior to termination.

The participants are fully vested in all contributions made to the Plan. Contributions by the Association to the Plan for the year ended September 30, 2024 amounted to \$53,180 (\$53,493 - 2023) and are allocated to the various departments in the accompanying consolidated statements of activities and changes in net assets.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. PENSION BENEFIT PLAN

The employees of the Association are covered by a non-contributory defined benefit pension plan. All employees are eligible to participate after the attainment of age 21 and completion of one year of service. Benefits are based upon the average compensation of the last 5 years of employment. The plan was frozen as of October 1, 2007. The Association's funding policy is to annually contribute the amount necessary to meet the minimum funding requirements of ERISA.

Obligations and Funded Status: The following tables summarize changes in the benefit obligation, the plan assets and the unfunded status of the Association's defined benefit pension plan, as well as the components of net periodic benefit costs, and key assumptions. The measurement dates for plan assets and obligations were September 30, 2024 and 2023.

The unfunded status of the plan as of September 30 is as follows:

	<u>2024</u>	<u>2023</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 731,326	\$ 776,934
Interest cost	35,418	34,152
Actuarial loss (gain)	46,512	(53,765)
Less: benefits paid	<u>25,995</u>	<u>25,995</u>
Benefit obligation at end of year	<u>787,261</u>	<u>731,326</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	641,396	590,109
Actual return on plan assets	134,109	75,626
Employer contributions prior to measurement date	6,912	1,656
Less: benefits paid	<u>25,995</u>	<u>25,995</u>
Fair value of plan assets at end of year	<u>756,422</u>	<u>641,396</u>
Unfunded status	<u>\$ (30,839)</u>	<u>\$ (89,930)</u>

The following is information for the pension plan that has an accumulated benefit obligation in excess of plan assets:

	<u>2024</u>	<u>2023</u>
Projected benefit obligation	\$ 787,261	\$ 731,326
Accumulated benefit obligation	\$ 787,261	\$ 731,326
Fair value of plan assets	\$ 756,422	\$ 641,396

Amounts recognized in accumulated net assets without donor restrictions related to the pension plan consist of:

	<u>2024</u>	<u>2023</u>
Recognized net actuarial loss	\$ <u>57,244</u>	\$ <u>121,323</u>
Total amount recognized	\$ <u>57,244</u>	\$ <u>121,323</u>
Components of net periodic benefit cost:		
Interest cost on benefit obligation	\$ 35,418	\$ 34,152
Expected return on plan assets	(26,627)	(23,261)
Amortization of net loss	<u>3,109</u>	<u>9,662</u>
Pension cost	<u>\$ 11,900</u>	<u>\$ 20,553</u>

Pension costs are included in non-operating income in the consolidated statements of activities and changes in net assets.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. PENSION BENEFIT PLAN (CONTINUED)

Assumptions: The weighted average assumptions used to determine benefit obligations and net periodic benefit cost at September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
<u>Benefit obligations</u>		
Discount rate	4.50%	5.75%
Rate of compensation increase	N/A	N/A
<u>Net periodic benefit cost</u>		
Discount rate	5.75%	5.25%
Rate of compensation increase	N/A	N/A
Expected long-term rate of return on assets	5.00%	5.00%

Historical and future expected returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

The plan's weighted average asset allocation by asset category is as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	1.91%	3.77%
Equities	61.15%	61.17%
Fixed income	36.94%	35.06%

Cash Flows: The following benefit payments are expected to be paid approximately as follows:

Years Ending September 30,

2025	\$ 23,855
2026	296,972
2027	20,793
2028	19,238
Thereafter	<u>208,682</u>
Total	<u>\$ 569,540</u>

The following table sets forth by level, within the fair value hierarchy as discussed in Note 4, the plan's assets at fair value as of September 30, 2024 and 2023:

	Assets at Fair Value as of September 30, 2024			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Cash and cash equivalents	\$ 14,482	\$ -	\$ -	\$ 14,482
Equities	462,538	-	-	462,538
Fixed income mutual funds	<u>279,402</u>	<u>-</u>	<u>-</u>	<u>279,402</u>
Total assets at fair value	<u>\$ 756,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,422</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. PENSION BENEFIT PLAN (CONTINUED)

	Assets at Fair Value as of September 30, 2023			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash and cash equivalents	\$ 24,180	\$ -	\$ -	\$ 24,180
Equities	392,365	-	-	392,365
Fixed income mutual funds	<u>224,851</u>	<u>-</u>	<u>-</u>	<u>224,851</u>
Total assets at fair value	<u>\$ 641,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,396</u>

NOTE 14. CONTRIBUTED NONFINANCIAL ASSETS

Contributed services are received by the organization and are reflected as nonfinancial contributed services recognized within the statements of activities and changes in net assets. Contributed nonfinancial assets recognized within the statements of activities and changes in net assets for the year ended September 30, were as follows:

	<u>2024</u>	<u>2023</u>
Contributed specialized services – events	244,800	226,800
Contributed specialized services – education	<u>64,200</u>	<u>65,550</u>
Total contributed services	<u>\$ 309,000</u>	<u>\$ 292,350</u>

The Organization recognized contributed nonfinancial assets as revenue. Contributed nonfinancial assets did not have donor-imposed restrictions.

A number of volunteers contribute significant time to various events and education seminars of the Association. Donated services are recorded as revenue, along with the corresponding expenses, at the fair value of the services donated only for those contributed services that require specialized skills and are provided by individuals possessing those skills and that the Association would otherwise be required to purchase had they not been contributed.

NOTE 15. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated all events and transactions for potential recognition or disclosure through December 20, 2024, which is the date these consolidated financial statements were available to be issued.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024

ASSETS	Consolidated	Eliminations	Secured Finance Network, Inc.	Secured Finance Foundation
Current assets:				
Cash and cash equivalents	\$ 1,683,414	\$ -	\$ 1,440,952	\$ 242,462
Investments, at fair value	4,486,373	-	4,168,489	317,884
Accounts receivable, net of credit losses	288,701	-	254,901	33,800
Pledge receivables, net of allowance	3,950	-	-	3,950
Prepaid expenses	780,711	-	780,416	295
Due from related parties	73,444	(86,929)	73,444	86,929
Other assets	3,318	-	3,318	-
Total current assets	<u>7,319,911</u>	<u>(86,929)</u>	<u>6,721,520</u>	<u>685,320</u>
Right-of-use asset - operating lease	386,276	-	386,276	-
Right-of-use asset - finance lease	21,811	-	21,811	-
Property, plant and equipment, net	73,273	-	73,273	-
Total assets	<u>\$ 7,801,271</u>	<u>\$ (86,929)</u>	<u>\$ 7,202,880</u>	<u>\$ 685,320</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 508,189	\$ -	\$ 460,189	\$ 48,000
Deferred membership dues	780,507	-	780,507	-
Deferred revenue, convention	1,982,282	-	1,982,282	-
Deferred revenue, events	46,000	-	-	46,000
Deferred revenue, other	121,608	-	121,608	-
Due to related parties	-	(86,929)	86,929	-
Current operating lease liability	253,343	-	253,343	-
Current finance lease liability	6,292	-	6,292	-
Current portion of long-term debt	54,605	-	54,605	-
Total current liabilities	<u>3,752,826</u>	<u>(86,929)</u>	<u>3,745,755</u>	<u>94,000</u>
Accrued pension and other post-employment benefits	30,839	-	30,839	-
Lease liability for operating lease	177,659	-	177,659	-
Lease liability for finance lease	16,253	-	16,253	-
Long-term debt	1,901,023	-	1,901,023	-
Total liabilities	5,878,600	(86,929)	5,871,529	94,000
Net assets:				
Without donor restrictions	1,922,671	-	1,331,351	591,320
Total liabilities and net assets	<u>\$ 7,801,271</u>	<u>\$ (86,929)</u>	<u>\$ 7,202,880</u>	<u>\$ 685,320</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023

ASSETS	Consolidated	Eliminations	Secured Finance Network, Inc.	Secured Finance Foundation
Current assets:				
Cash and cash equivalents	\$ 1,369,649	\$ -	\$ 1,218,926	\$ 150,723
Investments, at fair value	4,383,188	-	4,103,682	279,506
Accounts receivable, net of allowance	227,601	-	203,601	24,000
Pledge receivables, net of allowance	85,000	-	-	85,000
Prepaid expenses	716,471	-	714,276	2,195
Due from related parties	67,509	(176,518)	244,027	-
Other assets	3,318	-	3,318	-
Total current assets	6,852,736	(176,518)	6,487,830	541,424
Right-of-use asset - operating lease	609,611	-	609,611	-
Property, plant and equipment, net	92,733	-	92,733	-
Total assets	\$ 7,555,080	\$ (176,518)	\$ 7,190,174	\$ 541,424
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 631,919	\$ -	\$ 631,919	\$ -
Deferred membership dues	775,701	-	775,701	-
Deferred revenue, convention	1,703,522	-	1,703,522	-
Deferred revenue, events	20,500	-	-	20,500
Deferred revenue, other	96,921	-	96,921	-
Due to related parties	-	(176,518)	-	176,518
Current operating lease liability	242,801	-	242,801	-
Current portion of long-term debt	44,000	-	44,000	-
Total current liabilities	3,515,364	(176,518)	3,494,864	197,018
Accrued pension and other post-employment benefits	89,930	-	89,930	-
Lease liability for operating lease	431,010	-	431,010	-
Long-term debt	1,956,000	-	1,956,000	-
Total liabilities	5,992,304	(176,518)	5,971,804	197,018
Net assets:				
Without donor restrictions	1,562,776	-	1,218,370	344,406
Total liabilities and net assets	\$ 7,555,080	\$ (176,518)	\$ 7,190,174	\$ 541,424

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Secured Finance Network, Inc.</u>	<u>Secured Finance Foundation</u>
Change in net assets without donor restrictions:				
Operating activities:				
Revenue:				
Education	\$ 226,723	\$ -	\$ 226,723	\$ -
Conventions and conferences	3,448,542	-	3,448,542	-
Publications	533,424	-	533,424	-
Membership	1,877,120	-	1,877,120	-
Chapter	12,000	-	12,000	-
Events	252,050	-	-	252,050
Contributions	502,225	-	-	502,225
Contributed services	309,000	-	309,000	-
Total revenue	<u>7,161,084</u>	<u>-</u>	<u>6,406,809</u>	<u>754,275</u>
Expenses:				
Program services:				
Conventions and conferences	3,300,429	-	3,292,429	8,000
Publications	585,452	-	585,452	-
Educational programs	475,851	-	375,843	100,008
Foundation events	193,849	-	-	193,849
Members	403,850	-	403,850	-
Total program services	<u>4,959,431</u>	<u>-</u>	<u>4,657,574</u>	<u>301,857</u>
Support services:				
Management and general	2,264,954	-	1,988,516	276,438
Total support services	<u>2,264,954</u>	<u>-</u>	<u>1,988,516</u>	<u>276,438</u>
Total expenses	<u>7,224,385</u>	<u>-</u>	<u>6,646,090</u>	<u>578,295</u>
Change in net assets from operations	<u>(63,301)</u>	<u>-</u>	<u>(239,281)</u>	<u>175,980</u>
Non-operating income (expense)				
Other income	28,576	-	(259)	28,835
Interest and net investment income	106,201	-	102,469	3,732
Investment fees	(16,348)	-	(12,542)	(3,806)
Interest expense	(45,381)	-	(45,381)	-
Unrealized gain on investments	193,068	-	158,405	34,663
Realized gain on investments	109,295	-	101,785	7,510
Change in pension funded status	47,785	-	47,785	-
	<u>423,196</u>	<u>-</u>	<u>352,262</u>	<u>70,934</u>
Change in net assets without donor restrictions	359,895	-	112,981	246,914
Net assets, beginning of year	<u>1,562,776</u>	<u>-</u>	<u>1,218,370</u>	<u>344,406</u>
Net assets, end of year	<u>\$ 1,922,671</u>	<u>\$ -</u>	<u>\$ 1,331,351</u>	<u>\$ 591,320</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Secured Finance Network, Inc.</u>	<u>Secured Finance Foundation</u>
Change in net assets without donor restrictions:				
Operating activities:				
Revenue:				
Education	\$ 210,779	\$ -	\$ 210,779	\$ -
Conventions and conferences	3,161,474	-	3,161,474	-
Publications	631,514	-	631,514	-
Membership	1,796,351	-	1,796,351	-
Chapter	10,000	-	10,000	-
Events	297,550	-	-	297,550
Contributions	439,658	-	-	439,658
Contributed services	292,350	-	292,350	-
Total revenue	<u>6,839,676</u>	<u>-</u>	<u>6,102,468</u>	<u>737,208</u>
Expenses:				
Program services:				
Conventions and conferences	2,648,641	-	2,643,784	4,857
Publications	605,117	-	605,117	-
Educational programs	646,941	-	546,843	100,098
Foundation events	214,103	-	5,923	208,180
Members	416,778	-	416,778	-
Total program services	<u>4,531,580</u>	<u>-</u>	<u>4,218,445</u>	<u>313,135</u>
Support services:				
Management and general	2,042,628	-	1,708,659	333,969
Total support services	<u>2,042,628</u>	<u>-</u>	<u>1,708,659</u>	<u>333,969</u>
Total expenses	<u>6,574,208</u>	<u>-</u>	<u>5,927,104</u>	<u>647,104</u>
Change in net assets from operations	<u>265,468</u>	<u>-</u>	<u>175,364</u>	<u>90,104</u>
Non-operating income (expense)				
Other income	20,150	-	(175)	20,325
Interest and net investment income	11,781	-	9,123	2,658
Investment fees	(15,407)	-	(11,922)	(3,485)
Unrealized loss on investments	115,923	-	91,194	24,729
Realized loss on investments	85,806	-	85,806	-
Change in pension funded status	94,215	-	94,215	-
	<u>312,468</u>	<u>-</u>	<u>268,241</u>	<u>44,227</u>
Change in net assets without donor restrictions	577,936	-	443,605	134,331
Net assets, beginning of year	<u>984,840</u>	<u>-</u>	<u>774,765</u>	<u>210,075</u>
Net assets, end of year	<u>\$ 1,562,776</u>	<u>\$ -</u>	<u>\$ 1,218,370</u>	<u>\$ 344,406</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Secured Finance Network, Inc.</u>	<u>Secured Finance Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in net assets	\$ 359,895	\$ -	\$ 112,981	\$ 246,914
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided (used) by operating activities:				
Depreciation and amortization	23,687	-	23,687	-
Realized gain on sale of investments	(109,295)	-	(101,785)	(7,510)
Unrealized gain on investments	(193,038)	-	(158,375)	(34,663)
Bad debt recovery	(16,214)	-	(5,764)	(10,450)
Change in pension funded status	(47,785)	-	(47,785)	-
Decrease (increase) in assets:				
Accounts receivable	(55,336)	-	(45,536)	(9,800)
Pledge receivables	91,500	-	-	91,500
Prepaid expenses	(64,240)	-	(66,140)	1,900
Operating lease right-of-use assets	223,335	-	223,335	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(123,730)	-	(171,730)	48,000
Deferred membership dues	4,806	-	4,806	-
Deferred revenue, convention	278,760	-	278,760	-
Deferred revenue, events	25,500	-	-	25,500
Deferred revenue, other	24,687	-	24,687	-
Lease liability for operating lease	(242,809)	-	(242,809)	-
Accrued pension and other post-employment benefits	(11,306)	-	(11,306)	-
Net cash flows provided (used) by operating activities	<u>168,417</u>	<u>-</u>	<u>(182,974)</u>	<u>351,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Advances to related parties	-	(86,929)	86,929	-
Proceeds from sale of investments	6,249,963	-	5,838,424	411,539
Purchases of investments	(6,050,815)	-	(5,643,071)	(407,744)
Net cash flows provided (used) by investing activities	<u>199,148</u>	<u>(86,929)</u>	<u>282,282</u>	<u>3,795</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayments on EIDL loan	(44,372)	-	(44,372)	-
Principal paid on finance leases	(3,493)	-	(3,493)	-
Advances from (repayments to) related parties	(5,935)	86,929	170,583	(263,447)
Net cash flows provided (used) by financing activities	<u>(53,800)</u>	<u>86,929</u>	<u>122,718</u>	<u>(263,447)</u>
Net change in cash and cash equivalents	313,765	-	222,026	91,739
Cash and cash equivalents - beginning of year	<u>1,369,649</u>	<u>-</u>	<u>1,218,926</u>	<u>150,723</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,683,414</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,440,952</u></u>	<u><u>\$ 242,462</u></u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Secured Finance Network, Inc.</u>	<u>Secured Finance Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in net assets	\$ 577,936	\$ -	\$ 443,605	\$ 134,331
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:				
Depreciation and amortization	23,215	-	23,215	-
Realized gain on sale of investments	(85,806)	-	(85,806)	-
Unrealized gain on investments	(115,923)	-	(91,194)	(24,729)
Bad debt (recovery) expense	(71,234)	-	(87,234)	16,000
Change in pension funded status	(94,215)	-	(94,215)	-
Decrease (increase) in assets:				
Accounts receivable	129,665	-	145,665	(16,000)
Pledge receivables	(5,800)	-	-	(5,800)
Prepaid expenses	(428,703)	-	(428,703)	-
Operating lease right-of-use assets	218,471	-	218,471	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	183,218	-	214,218	(31,000)
Deferred membership dues	11,904	-	11,904	-
Deferred revenue, convention	82,032	-	82,032	-
Deferred revenue, events	(9,000)	-	-	(9,000)
Deferred revenue, other	39	-	39	-
Lease liability for operating lease	(229,647)	-	(229,647)	-
Accrued pension and other post-employment benefits	(2,680)	-	(2,680)	-
Net cash flows provided by operating activities	<u>183,472</u>	<u>-</u>	<u>119,670</u>	<u>63,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments	8,099,458	-	7,666,458	433,000
Purchases of investments	<u>(10,425,759)</u>	<u>-</u>	<u>(9,981,670)</u>	<u>(444,089)</u>
Net cash flows used by investing activities	<u>(2,326,301)</u>	<u>-</u>	<u>(2,315,212)</u>	<u>(11,089)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayments on line of credit	(2,550)	-	(2,550)	-
Advances from (repayments to) related parties	<u>(3,500)</u>	<u>-</u>	<u>83,424</u>	<u>(86,924)</u>
Net cash flows provided (used) by financing activities	<u>(6,050)</u>	<u>-</u>	<u>80,874</u>	<u>(86,924)</u>
Net change in cash and cash equivalents	<u>(2,148,879)</u>	<u>-</u>	<u>(2,114,668)</u>	<u>(34,211)</u>
Cash and cash equivalents - beginning of year	<u>3,518,528</u>	<u>-</u>	<u>3,333,594</u>	<u>184,934</u>
Cash and cash equivalents - end of year	<u>\$ 1,369,649</u>	<u>\$ -</u>	<u>\$ 1,218,926</u>	<u>\$ 150,723</u>