

AUDITED FINANCIAL STATEMENTS

SECURED FINANCE FOUNDATION

SEPTEMBER 30, 2023

SECURED FINANCE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Secured Finance Foundation

Opinion

We have audited the financial statements of Secured Finance Foundation (the Foundation), which comprise the statements of financial position as of September 30, 2023 and 2022, the related statements of activities and changes in net assets, 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 referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023 and 2022, and the results of its operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 Foundation'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 Foundation'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 Foundation'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.

Freed Maxick CPAs, P.C.

Buffalo, New York
January 16, 2024

SECURED FINANCE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
September 30,

ASSETS	2023	2022
Cash and cash equivalents	\$ 150,723	\$ 184,934
Investments, at fair value	279,506	243,688
Accounts receivable	24,000	24,000
Pledge receivables, net of allowance	85,000	79,200
Prepaid expenses	2,195	2,195
Total assets	<u>\$ 541,424</u>	<u>\$ 534,017</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ -	\$ 31,000
Deferred revenue, events	20,500	29,500
Due to related parties	176,518	263,442
Total liabilities	<u>197,018</u>	<u>323,942</u>
Net assets:		
Without donor restrictions	<u>344,406</u>	<u>210,075</u>
Total net assets	<u>344,406</u>	<u>210,075</u>
 Total liabilities and net assets	 <u>\$ 541,424</u>	 <u>\$ 534,017</u>

See accompanying notes.

SECURED FINANCE FOUNDATION**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Revenue and support:		
Contributions	\$ 439,658	\$ 432,670
Events	297,550	259,250
Total revenue and support	<u>737,208</u>	<u>691,920</u>
Expenses:		
Program services:		
Conventions and conferences	4,857	50,025
Educational programs	100,098	100,008
Foundation events	208,180	150,670
Total program services	<u>313,135</u>	<u>300,703</u>
Support services:		
Management and general	333,969	294,843
Total support services	<u>333,969</u>	<u>294,843</u>
Total expenses	<u>647,104</u>	<u>595,546</u>
Change in net assets from operations	90,104	96,374
Non-operating income (expense):		
Other income	20,325	22,054
Interest and investment income	2,658	4,943
Investment fees	(3,485)	(3,626)
Unrealized gain (loss) on investments	24,729	(35,933)
Realized loss on investments	-	(5,912)
	<u>44,227</u>	<u>(18,474)</u>
Change in net assets	134,331	77,900
Net assets - beginning of year	210,075	132,175
Net assets - end of year	<u>\$ 344,406</u>	<u>\$ 210,075</u>

See accompanying notes.

SECURED FINANCE FOUNDATION**STATEMENTS OF CASH FLOWS**
For the Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 134,331	\$ 77,900
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Realized loss on sale of investments	-	5,912
Unrealized (gain) loss on investments	(24,729)	35,933
Bad debt expense	16,000	22,500
(Increase) decrease in assets:		
Accounts receivable	(16,000)	(675)
Pledge receivables	(5,800)	33,300
Prepaid expenses	-	57,550
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(31,000)	24,042
Deferred revenue, events	(9,000)	(11,000)
Net cash provided by operating activities	<u>63,802</u>	<u>245,462</u>
Cash flows from investing activities:		
Proceeds from sale of investments	433,000	305,696
Purchases of investments	(444,089)	(301,967)
Net cash (used) provided by investing activities	<u>(11,089)</u>	<u>3,729</u>
Cash flows from financing activities:		
Repayments to related parties	(86,924)	(161,365)
Net cash used by financing activities	<u>(86,924)</u>	<u>(161,365)</u>
Net (decrease) increase in cash and cash equivalents	(34,211)	87,826
Cash and cash equivalents - beginning of year	184,934	97,108
Cash and cash equivalents - end of year	<u>\$ 150,723</u>	<u>\$ 184,934</u>

See accompanying notes.

SECURED FINANCE FOUNDATION

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

	Conventions and Conferences	Educational Programs	Foundation Events	Total Program	Management and General	Total
Professional fees - other	\$ 2,700	\$ -	\$ -	\$ 2,700	\$ 192,888	\$ 195,588
Meeting facility costs	-	-	148,203	148,203	-	148,203
Foundation program support	-	100,008	-	100,008	-	100,008
Foundation staff support	-	-	-	-	69,996	69,996
Office rent	-	-	-	-	30,000	30,000
Audio/Visual	-	-	28,615	28,615	-	28,615
Instructor/speaker expenses	766	-	-	766	16,000	16,766
Bad debt expense	-	-	-	-	16,000	16,000
Instructor/speaker fees	-	-	7,500	7,500	-	7,500
Charitable contributions	-	-	5,000	5,000	2,500	7,500
Awards	-	-	7,180	7,180	-	7,180
Meals	-	-	5,476	5,476	-	5,476
D&O insurance	-	-	-	-	3,332	3,332
Printing and copying	-	-	2,883	2,883	-	2,883
Accounting and audit expense	-	-	-	-	2,200	2,200
Photography	-	-	1,549	1,549	-	1,549
Miscellaneous event expenses	1,100	-	-	1,100	-	1,100
Bank and service charges	-	-	-	-	923	923
Contract labor	-	-	900	900	-	900
Hotel	-	-	723	723	-	723
Airfare	291	-	-	291	-	291
Travel - other	-	-	134	134	-	134
Office expenses	-	75	-	75	50	125
Gifts	-	-	-	-	80	80
Postage and freight	-	15	17	32	-	32
Total expenses	\$ 4,857	\$ 100,098	\$ 208,180	\$ 313,135	\$ 333,969	\$ 647,104

See accompanying notes.

SECURED FINANCE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Conventions and Conferences	Educational Programs	Foundation Events	Total Program	Management and General	Total
Professional fees - other	\$ -	\$ -	\$ -	\$ -	\$ 152,442	\$ 152,442
Meeting facility costs	29,000	-	81,945	110,945	-	110,945
Foundation program support	-	100,008	-	100,008	-	100,008
Foundation staff support	-	-	-	-	69,996	69,996
Audio/visual	21,025	-	17,446	38,471	-	38,471
Office rent	-	-	-	-	30,000	30,000
Bad debt expense	-	-	-	-	22,500	22,500
Meals - meeting facilities	-	-	20,236	20,236	-	20,236
Charitable contributions	-	-	5,000	5,000	13,600	18,600
Awards	-	-	11,504	11,504	-	11,504
Hotel	-	-	4,852	4,852	-	4,852
D&O insurance	-	-	-	-	3,212	3,212
Printing and copying	-	-	2,759	2,759	-	2,759
Accounting and audit expense	-	-	-	-	2,000	2,000
Event reception	-	-	1,635	1,635	-	1,635
Event entertainment	-	-	1,500	1,500	-	1,500
Photography	-	-	1,350	1,350	-	1,350
Bank and service charges	-	-	-	-	993	993
Travel - other	-	-	935	935	-	935
Contract labor	-	-	800	800	-	800
Marketing and promotions	-	-	669	669	-	669
Office expenses	-	-	-	-	100	100
Hotel - meeting facility	-	-	20	20	-	20
Meals	-	-	19	19	-	19
Total expenses	\$ 50,025	\$ 100,008	\$ 150,670	\$ 300,703	\$ 294,843	\$ 595,546

See accompanying notes.

SECURED FINANCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. FOUNDATION AND NATURE OF OPERATIONS

Secured Finance Foundation, hereinafter referred to as “the Foundation”, was incorporated in the state of Delaware in 1990 and is a not for profit Foundation exempt from Federal taxes under Sections 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 Secured Finance Network, Inc. (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 SFN.

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

Basis of Presentation: The financial statements of the Foundation have been prepared on the accrual basis of accounting. A summary of the major accounting policies followed in the preparation of the accompanying 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 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets: The 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 Foundation, 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 Foundation 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 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 Foundation, unless the donor provides more specific directions about the period of its use. There are no net assets with donor restrictions at September 30, 2023 and 2022.

SECURED FINANCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Classification of Transactions: All revenues and net gains are reported as increases in net assets without donor restrictions in the 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 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. 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 Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities.

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 Foundation's investments consist of exchange traded funds, 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 and Uncollectible Accounts: Accounts receivable are carried at amounts invoiced less an allowance for uncollectible accounts. Credit is extended to sponsors of events held by the Foundation. On a periodic basis, the Foundation evaluates its allowance for uncollectible accounts, based upon history of past write-offs and collections. Management has determined that an allowance for doubtful accounts was not necessary as of September 30, 2023 or 2022.

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 Foundation recognizes pledge receivables in the statements of financial position at their fair values. The net pledge receivables at September 30, 2023 amounted to \$85,000 (\$79,200 - 2022). The Foundation anticipates to receive all pledge receivables in the year ended 2023. Management has determined that an allowance for doubtful accounts of \$41,000 was necessary as of September 30, 2023 (\$25,000 - 2022).

Prepaid Expenses: Prepaid expenses are comprised of good faith deposits on account relating to the securing of certain educational speakers to speak at SFN conferences and conventions that are to take place subsequent to September 30, 2023 and 2022. Prepaid expenses as of September 30, 2023 and 2022 amounted to \$2,195.

SECURED FINANCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Revenue Recognition: The Foundation 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 Foundation 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 Organization 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. Opening balances as of October 1, 2021, were as follows:

	<u>2021</u>
Accounts receivable, net of allowance	\$ <u>3,125</u>

The Foundation recognizes contributions received 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 registration fees for events, control transfers to the customer at a point in time and revenues are recognized in the period in which the event is held. The portion relating to an event that is held subsequent to September 30, 2023 and 2022 is reported as deferred revenue, events in the accompanying statements of financial position.

Other income consist 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>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time:		
Events	\$ 297,550	\$ 259,250
Contributions	439,658	432,670
Other income	<u>20,325</u>	<u>22,054</u>
Total revenue subject to ASC 606	\$ <u>757,533</u>	\$ <u>713,974</u>

Concentration of Credit Risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk primarily consist of cash and cash equivalents, and investments.

The Foundation 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. The Foundation's cash balance on deposit at September 30, 2023 and 2022 did not exceed the balance insured by the FDIC.

SECURED FINANCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Risks and Uncertainties: The Foundation 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 Foundation's investments. Accordingly, the valuation of investments at September 30, 2023 and 2022 may not necessarily be indicative of amounts that could be realized in a current market exchange.

Income Taxes: The Foundation is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provisions for federal taxes are included in the financial statements.

U.S. GAAP provides guidance on the financial statement recognition and measurement for income tax positions that the Foundation has taken or expects to take in the Foundation's income tax returns. The Foundation 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 as taxable (for example, unrelated business income) or nontaxable. The Foundation has not recorded any liabilities relating to uncertain tax positions.

The Foundation files its Return or Foundation Exempt from Income Tax in the U.S. federal jurisdiction and its Annual Filing of Charitable Foundation in New York State.

Recently Issued Accounting Pronouncements: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement 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. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Foundation adopted Topic 842 on October 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statement. The Foundation had no leases requiring recognition.

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 Foundation adopted ASU 2020-07 on October 1, 2022. The Foundation has no nonfinancial assets to report.

Recently Issued Accounting Pronouncement, Not Yet Adopted: In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (“CECL”) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Expected credit losses on available-for-sale (“AFS”) debt securities will also be recognized through an allowance, however the allowance for an individual AFS debt security will be limited to the amount by which fair value is below amortized cost.

SECURED FINANCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated all events and transactions for potential recognition or disclosure through January 16, 2024, which is the date these financial statements were available to be issued.

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, are:

	<u>2023</u>	<u>2022</u>
Current financial assets:		
Cash	\$ 150,723	\$ 184,934
Accounts receivable	24,000	24,000
Pledges receivable, net	85,000	79,200
Investments	<u>279,506</u>	<u>243,688</u>
Amount available for general expenditures within one year	\$ <u>539,229</u>	\$ <u>531,822</u>

To help manage unanticipated liquidity needs, the Foundation has the ability to receive support from Secured Finance Network, Inc.

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 Foundation'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, 2023 and 2022.

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.

SECURED FINANCE FOUNDATION**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2023 and 2022:

<u>Asset Type</u>	Assets at Fair Value as of September 30, 2023			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
U.S. Treasury Bills	\$ 156,759	\$ -	\$ -	\$ 156,759
Exchange traded funds	<u>122,747</u>	<u>-</u>	<u>-</u>	<u>122,747</u>
Total	<u>\$ 279,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,506</u>

<u>Asset Type</u>	Assets at Fair Value as of September 30, 2022			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
U.S. Treasury Bills	\$ 139,505	\$ -	\$ -	\$ 139,505
Exchange traded funds	<u>104,183</u>	<u>-</u>	<u>-</u>	<u>104,183</u>
Total	<u>\$ 243,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,688</u>

NOTE 5. RELATED PARTIES

SFN performs administrative and facility services on behalf of the Foundation for a contracted amount. Related contracted services expense for facility service provided by SFN amounted to approximately \$30,000 for the years ended September 30, 2023 and 2022.

The Foundation also incurs fees payable to SFN in the amount of approximately \$100,000 for the years ended September 30, 2023 and 2022 for services rendered in connection with personnel, insurance, travel and professional fees.

Accounts payable to related party represents amounts owed to SFN. These amounts are non-interest bearing and are expected to be repaid within the next year. Due to related parties for the year ended September 30, 2023 amounted to \$176,518 (\$263,442 - 2022).