

**AUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

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

SEPTEMBER 30, 2022

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 Consolidated 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, 2022 and 2021, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of September 30, 2022 and 2021, 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 19 – 24 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
January 11, 2023

SECURED FINANCE NETWORK, INC. AND AFFILIATE**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,**

ASSETS	2022	2021
Cash and cash equivalents	\$ 3,518,528	\$ 1,224,020
Investments, at fair value	1,855,158	976,061
Accounts receivable, net of allowance	286,032	484,888
Pledge receivables, net of allowance	79,200	112,500
Prepaid expenses	287,768	203,826
Due from related parties	64,009	63,009
Other assets	3,318	3,318
Property and equipment, net	115,948	185,547
Total assets	<u>\$ 6,209,961</u>	<u>\$ 3,253,169</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 448,701	\$ 434,123
Deferred membership dues	763,797	464,666
Deferred revenue, convention	1,621,490	1,209,513
Deferred revenue, events	29,500	40,500
Deferred revenue, other	96,882	43,177
Deferred rent	75,376	100,409
Accrued pension and other post-employment benefits	186,825	310,897
Line of credit	2,550	-
Notes payable	2,000,000	219,712
	<u>5,225,121</u>	<u>2,822,997</u>
Net assets:		
Without donor restrictions	<u>984,840</u>	<u>430,172</u>
Total liabilities and net assets	<u>\$ 6,209,961</u>	<u>\$ 3,253,169</u>

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>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions:		
Operating activities:		
Revenue:		
Education	\$ 199,072	\$ 138,465
Conventions and conferences	2,474,056	1,168,307
Publications	571,479	557,807
Membership	1,465,541	1,194,713
Chapter	10,000	12,000
Events	259,250	78,750
Contributions	432,670	386,230
Contributed services	254,850	415,350
Total revenue	<u>5,666,918</u>	<u>3,951,622</u>
Expenses:		
Program services:		
Conventions and conferences	2,363,173	1,408,237
Publications	582,761	562,396
Educational programs	597,593	751,540
Foundation events	150,670	58,671
Members	401,308	399,624
Total program services	<u>4,095,505</u>	<u>3,180,468</u>
Support services:		
Management and general	1,468,445	1,200,088
Total support services	<u>1,468,445</u>	<u>1,200,088</u>
Total expenses	<u>5,563,950</u>	<u>4,380,556</u>
Change in net assets from operations	<u>102,968</u>	<u>(428,934)</u>
Non-operating income (expense):		
Other income	22,054	821
Other income - COVID stimulus	445,609	250,615
Interest and net investment income	16,563	16,236
Investment fees	(12,916)	(13,583)
Interest expense	(54)	(4,806)
Unrealized loss on investments	(88,719)	(3,009)
Realized (loss) gain on investments	(42,727)	22,574
Change in pension funded status	111,890	76,501
	<u>451,700</u>	<u>345,349</u>
Change in net assets without donor restrictions	<u>554,668</u>	<u>(83,585)</u>
Net assets, beginning of year	<u>430,172</u>	<u>513,757</u>
Net assets, end of year	<u>\$ 984,840</u>	<u>\$ 430,172</u>

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

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

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 554,668	\$ (83,585)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	55,568	67,360
Other income - COVID stimulus	(219,712)	(250,615)
Realized loss (gain) on sale of investments	42,727	(22,574)
Unrealized loss on investments	88,719	3,009
Bad debt expense	69,477	46,433
Loss on disposal	14,031	-
Change in pension funded status	(111,890)	(76,501)
Changes in operating assets and liabilities:		
Accounts receivable	129,379	(223,919)
Pledge receivables	33,300	37,050
Prepaid expenses	(83,942)	41,207
Accounts payable and accrued expenses	14,578	70,999
Deferred membership dues	299,131	74,908
Deferred revenue, convention	411,977	550,394
Deferred revenue, events	(11,000)	40,500
Deferred revenue, other	53,705	29,836
Deferred rent	(25,033)	45,335
Accrued pension and other post-employment benefits	(12,182)	(50,505)
Net cash flows provided by operating activities	<u>1,303,501</u>	<u>299,332</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(5,200)
Advances to related parties	-	(74,266)
Proceeds from sale of investments	2,530,538	179,646
Purchases of investments	(3,541,081)	(302,001)
Net cash flows used by investing activities	<u>(1,010,543)</u>	<u>(201,821)</u>
Cash flows from financing activities:		
Proceeds from notes payable	2,000,000	219,712
Borrowings on line of credit	2,550	-
Repayment of notes payable	-	(149,900)
Advances from related parties	(1,000)	64,931
Net cash flows provided by financing activities	<u>2,001,550</u>	<u>134,743</u>
Net increase in cash and cash equivalents	2,294,508	232,254
Cash and cash equivalents - beginning of year	1,224,020	991,766
Cash and cash equivalents - end of year	\$ 3,518,528	\$ 1,224,020
Supplemental cash flow information:		
Interest paid	\$ 54	\$ 4,806
Income taxes paid	\$ 250	\$ 250
Non-cash financing activity: Other income - COVID stimulus	\$ 219,712	\$ 250,615

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

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

	Conferences and Conventions	Publications	Educational Programs	Foundation Events	Members	Total Program	Management and General	Total
Salaries and wages	\$ 398,140	\$ 235,939	\$ 137,377	\$ 81,945	\$ 207,919	\$ 1,061,320	\$ 390,770	\$ 1,452,090
Meals - meeting facilities	443,903	-	-	20,236	-	464,139	82	464,221
Audio/Visual	310,476	12	103	17,446	-	328,037	-	328,037
Bonus	154,646	50,497	53,653	-	47,340	306,136	9,468	315,604
Professional fees - other	37,670	74	6,765	-	-	44,509	233,853	278,362
Contributed expenses	-	-	254,850	-	-	254,850	-	254,850
Office rent	121,973	39,828	42,317	-	37,339	241,457	7,468	248,925
Accounting/Audit	114,590	37,417	39,756	-	35,079	226,842	7,015	233,857
Marketing and promotions	160,605	19	-	669	-	161,293	47,945	209,238
Software license fees	820	196	-	-	308	1,324	155,207	156,531
Event reception	127,548	-	-	1,635	-	129,183	-	129,183
Legal - general	-	-	-	-	-	-	126,862	126,862
Legal - legislative	-	-	-	-	-	-	120,807	120,807
Bank and service charges	-	-	-	-	-	-	94,084	94,084
Health insurance	19,634	20,381	5,636	-	6,805	52,456	40,550	93,006
Commissions	58,254	22,521	-	-	11,180	91,955	-	91,955
Payroll taxes	42,757	13,962	14,834	-	13,089	84,642	2,618	87,260
Office expenses	41,267	13,475	14,317	-	12,633	81,692	2,526	84,218
Printing and copying	5,235	78,858	-	-	-	84,093	-	84,093
Hotel - meeting facility	72,476	-	-	20	-	72,496	-	72,496
Bad debt expense	34,044	11,116	11,811	-	10,422	67,393	2,084	69,477
Instructor/Speaker fees	60,231	-	-	-	-	60,231	-	60,231
Depreciation	-	-	-	-	-	-	55,568	55,568
Actuary	-	-	-	-	-	-	39,792	39,792
Postage and freight	4,082	30,013	397	-	-	34,492	2,821	37,313
401k contribution	4,862	5,539	802	-	8,071	19,274	16,830	36,104
Hotel	20,264	-	-	4,852	-	25,116	7,299	32,415
Tournaments and tours	31,327	-	1,000	-	-	32,327	-	32,327
Conference booths	29,934	-	-	-	-	29,934	-	29,934
Travel - other	16,489	-	868	935	55	18,347	8,924	27,271
HSA contribution	12,487	4,077	4,332	-	3,822	24,718	766	25,484
Telephone	11,158	3,643	3,871	-	3,416	22,088	683	22,771
D&O insurance	9,270	3,027	3,216	2,759	2,838	21,110	568	21,678
Dues and subscriptions	2,940	902	513	-	-	4,355	16,614	20,969
Liability insurance	-	-	-	-	-	-	19,561	19,561
Other insurance	950	(61)	662	-	-	1,551	17,818	19,369
Charitable contributions	-	-	-	5,000	-	5,000	14,302	19,302
Awards	1,410	-	-	11,504	-	12,914	-	12,914
Photography	4,965	4,650	-	1,350	-	10,965	-	10,965
Contract labor	2,276	6,676	-	800	-	9,752	-	9,752
Airfare	3,129	-	-	-	-	3,129	5,562	8,691
Professional development	347	-	-	-	-	347	7,790	8,137
Meeting facility costs	5,928	-	-	-	-	5,928	-	5,928
Meals	1,609	-	432	19	1,900	3,960	1,898	5,858
Event advertising & promo	5,397	-	-	-	-	5,397	-	5,397
Payroll processing	-	-	-	-	-	-	4,793	4,793
Event entertainment	-	-	-	1,500	-	1,500	1,487	2,987
Instructor/Speaker expenses	636	-	-	-	-	636	-	636
Severance	-	-	-	-	-	-	612	612
Publishing costs	-	-	-	-	-	-	516	516
Entertainment	33	-	-	-	-	33	468	501
Miscellaneous expenses (income)	167	-	86	-	(1,908)	(1,655)	2,074	419
Auto	88	-	-	-	-	88	286	374
Computer accessories	-	-	-	-	-	-	327	327
State income taxes	-	-	-	-	-	-	250	250
Bookstore	-	-	(5)	-	-	(5)	-	(5)
Royalties	-	-	-	-	-	-	(519)	(519)
Miscellaneous event expenses (income)	(10,844)	-	-	-	1,000	(9,844)	16	(9,828)
Total expenses	\$ 2,363,173	\$ 582,761	\$ 597,593	\$ 150,670	\$ 401,308	\$ 4,095,505	\$ 1,468,445	\$ 5,563,950

See accompanying notes.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Conferences and Conventions	Publications	Educational Programs	Foundation Events	Members	Total Program	Management and General	Total
Salaries and wages	\$ 445,909	\$ 251,875	\$ 156,765	\$ -	\$ 232,775	\$ 1,087,324	\$ 238,579	\$ 1,325,903
Contributed expenses	-	-	415,350	-	-	415,350	-	415,350
Office rent	121,236	39,384	43,036	-	37,254	240,910	7,451	248,361
Bonus	119,130	38,700	42,288	-	36,607	236,725	7,322	244,047
Accounting/Audit	107,966	35,073	38,325	-	33,177	214,541	6,636	221,177
Professional fees - other	5,000	94	-	-	-	5,094	181,887	186,981
Software license fees	700	-	-	-	-	700	143,840	144,540
Health insurance	20,206	20,993	3,195	-	6,394	50,788	74,605	125,393
Payroll taxes	30,374	18,386	11,067	-	18,934	78,761	30,088	108,849
Legal - general	-	-	-	-	-	-	107,821	107,821
Instructor/Speaker fees	89,644	-	-	17,500	-	107,144	-	107,144
Marketing and promotions	66,395	-	-	5,434	-	71,829	30,469	102,298
Printing and copying	15,275	64,909	-	5,194	-	85,378	34	85,412
Legal - legislative	-	-	-	-	-	-	75,267	75,267
Office expenses	33,885	11,008	12,028	-	10,413	67,334	2,082	69,416
Commissions	47,677	20,926	-	-	793	69,396	-	69,396
Actuary	-	-	-	-	-	-	66,091	66,091
Depreciation	-	-	-	-	-	-	66,026	66,026
Contract labor	48,912	8,226	1,225	-	-	58,363	5,000	63,363
Bank and service charges	-	-	-	-	-	-	57,672	57,672
Audio/Visual	36,069	-	-	17,000	-	53,069	-	53,069
Bad debt expense	22,666	7,363	8,046	-	6,965	45,040	1,393	46,433
401k contribution	4,176	4,680	1,560	-	5,340	15,756	29,606	45,362
Meals - meeting facilities	41,009	-	-	-	-	41,009	497	41,506
Telephone	19,587	6,363	6,953	-	6,019	38,922	1,204	40,126
Miscellaneous event expenses	37,954	-	-	-	-	37,954	750	38,704
Postage and freight	13,639	20,964	214	22	-	34,839	1,335	36,174
Severance	-	-	-	-	-	-	26,702	26,702
HSA contribution	12,294	3,994	4,364	3,778	-	24,430	756	25,186
Liability insurance	9,656	3,137	3,428	2,967	-	19,188	594	19,782
Other insurance	1,250	1,841	654	-	4,953	8,698	11,026	19,724
D&O insurance	8,477	2,754	3,009	2,605	-	16,845	521	17,366
Professional development	15,000	149	-	-	-	15,149	1,949	17,098
Dues and subscriptions	1,135	753	-	-	-	1,888	9,852	11,740
Charitable contributions	10,000	-	-	-	-	10,000	-	10,000
Travel - other	4,568	45	-	30	-	4,643	3,538	8,181
Hotel - meeting facility	8,173	-	-	-	-	8,173	-	8,173
Payroll processing	-	-	-	-	-	-	5,279	5,279
Event advertising & promo	4,973	-	-	-	-	4,973	-	4,973
Awards	74	-	-	4,107	-	4,181	-	4,181
Photography	-	3,300	-	-	-	3,300	-	3,300
Event entertainment	2,800	-	-	-	-	2,800	180	2,980
Event reception	1,984	-	-	-	-	1,984	277	2,261
Computer accessories	-	13	-	-	-	13	1,458	1,471
Amortization	-	-	-	-	-	-	1,333	1,333
Publishing costs	-	516	-	-	-	516	69	585
Security - office	-	-	-	-	-	-	362	362
Meals	217	-	-	-	-	217	62	279
State income taxes	-	-	-	-	-	-	250	250
Auto	143	-	-	-	-	143	80	223
Meeting registration	-	-	-	-	-	-	56	56
Tournaments and tours	42	-	-	-	-	42	-	42
Airfare	-	-	-	-	-	-	37	37
Royalties	-	-	-	-	-	-	(545)	(545)
Miscellaneous expenses (income)	42	(3,050)	33	34	-	(2,941)	597	(2,344)
Total expenses	\$ 1,408,237	\$ 562,396	\$ 751,540	\$ 58,671	\$ 399,624	\$ 3,180,468	\$ 1,200,088	\$ 4,380,556

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 277 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 Organization.”

Basis of Presentation: The consolidated financial statements of the Organization 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 for the nature of the Organization, 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 Organization 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 Organization, unless the donor provides more specific directions about the period of its use. There are no net assets with donor restrictions at September 30, 2022 and 2021.

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 Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization 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, 2022 and 2021.

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 Organization's investments consist of 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 uncollectible accounts. Credit is extended primarily to its members for dues and services. On a periodic basis, the Association evaluates its allowance for uncollectible accounts, based upon history of past write-offs and collections. Management has determined that an allowance for doubtful accounts of approximately \$127,000 was necessary as of September 30, 2022 (\$80,000 - 2021).

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 Organization recognizes pledge receivables in the consolidated statements of financial position at their fair values. The net pledge receivables at September 30, 2022 amounted to \$79,200 (\$112,500 - 2021). The Organization anticipates to receive all pledge receivables in the year ended 2022. Management has determined that an allowance for doubtful accounts of \$25,000 was necessary as of September 30, 2022 (\$2,500 - 2021).

Other Assets: Other assets are comprised of inventory 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.

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 Revenue, Convention: Deferred convention revenue represents amounts collected as of the year ended September 30, 2022 and 2021 relating to SFN's annual convention, which was held in November 2022 and November 2021, respectively.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

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, 2022, which amounted to \$29,500 (\$40,500 - 2021). Deferred education revenue represents prepayments of registrants for SFN sponsored educational seminars being held subsequent to September 30, 2022, which amounted to \$2,500 (\$4,625 - 2021). 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 \$46,146 as of September 30, 2022 (\$27,986 - 2021). 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 \$48,236 as of September 30, 2022 (\$10,566 - 2021).

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.

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, 2022 and 2021 is reported as deferred membership dues in the accompanying consolidated statements of financial position.

For performance obligations related to registration fees for conventions, conferences and educational seminars, control transfers to the customer at a point in time. Revenues from conventions, conferences 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, 2022 and 2021 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.

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

The Organization 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, 2022 exceeded the balance insured by the FDIC by \$2,651,635 (\$269,793 - 2021). The Organization has investments in various exchange traded funds.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

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 doubtful accounts 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.

Risks and Uncertainties: The Organization 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 Organization's investments. Accordingly, the valuation of investments at September 30, 2022 and 2021 may not necessarily be indicative of amounts that could be realized in a current market exchange.

Contributed Services: 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. Accordingly, the fair value of these services totaled \$254,850 for the year ended September 30, 2022 (\$415,350 - 2021).

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 Organization has taken or expects to take in the Organization's income tax returns. The Organization 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 Organization has not recorded any liabilities relating to uncertain tax positions.

Recently Issued Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, Leases. This ASU requires lessees to recognize assets and liabilities on the consolidated statement of financial position for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lease primarily will depend on its classification as a finance and operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee's balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for reporting periods beginning after December 15, 2021 with early adoption permitted. The Organization is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and will adopt the provisions upon the effective date.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2022 and 2021 are:

	<u>2022</u>	<u>2021</u>
Current financial assets:		
Cash and cash equivalents	\$ 3,518,528	\$ 1,224,020
Investments	1,855,158	976,061
Accounts receivable, net of allowance	286,032	484,888
Pledge receivables, net of allowance	<u>79,200</u>	<u>112,500</u>
Amount available for general expenditures within one year	<u>\$ 5,738,918</u>	<u>\$ 2,797,469</u>

To help manage unanticipated liquidity needs, the Organization has a committed line of credit with additional availability in the approximate amount of \$635,000 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 Organization'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, 2022 and 2021.

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 statement of financial position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of September 30, 2022 and 2021:

<u>Asset Type</u>	Assets at Fair Value as of September 30, 2022			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
U.S. Treasury Bills	\$ 1,507,843	\$ -	\$ -	\$ 1,507,843
Exchange traded funds	347,315	-	-	347,315
Total	<u>\$ 1,855,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,855,158</u>

<u>Asset Type</u>	Assets at Fair Value as of September 30, 2021			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Exchange traded funds	\$ 976,061	\$ -	\$ -	\$ 976,061

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT, NET

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

<u>Description</u>	<u>2022</u>	<u>2021</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
Work in progress	-	14,030
Convention equipment	2,426	2,426
Total	<u>1,358,099</u>	<u>1,372,129</u>
Less: accumulated depreciation and amortization	<u>1,242,151</u>	<u>1,186,582</u>
Total property and equipment, net	<u>\$ 115,948</u>	<u>\$ 185,547</u>

Depreciation and amortization charged to expense for the year ended September 30, 2022 was \$55,568 (\$67,360 - 2021).

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, 2022, the line of credit allows for borrowings of up to approximately \$635,000 (\$329,000 - 2021). Interest is payable based on LIBOR plus 3.625%. As of September 30, 2022 there was \$2,550 outstanding balance on the line. There was no outstanding balance on the line as of September 30, 2021.

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).

NOTE 8. NOTES PAYABLE

Notes payable consists of the following as of September 30:

	<u>2022</u>	<u>2021</u>
SBA - economic injury disaster loan	\$ 2,000,000	\$ -
Paycheck Protection Program loan - #2	-	219,712
Total notes payable	<u>\$ 2,000,000</u>	<u>\$ 219,712</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 will begin 24 months from the date of the promissory note. 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.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. NOTES PAYABLE (CONTINUED)

Future minimum payments SBA - economic injury disaster loan for years subsequent to September 30, 2022 are approximately as follows:

2023	\$	44,000
2024		55,000
2025		56,000
2026		58,000
2027		59,000
Thereafter		<u>1,728,000</u>
	\$	<u>2,000,000</u>

Paycheck Protection Program loan: In response to the COVID-19 coronavirus, the federal government issued the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. A section of the CARES Act included the Paycheck Protection Program (PPP) which provided funding to small businesses and non-profits impacted by COVID-19. The Association applied for the second round of loan funding through the PPP and received \$219,712 in February 2021. Per the loan agreement, up to the full amount of the loan was eligible to be forgiven if all borrowed funds were used within the provisions set forth by the PPP. In March 2022, the Association applied for forgiveness of the loan which was approved by the Small Business Administration.

In accordance with ASC 958-605, the Association recognized the forgivable amount as other income - COVID stimulus on the accompanying consolidated statements of activities and changes in net assets in the amount of \$219,712 for the year ended September 30, 2022.

NOTE 9. RELATED PARTY TRANSACTIONS

The Organization, 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.

NOTE 10. COMMITMENTS

General and Executive Office Space: 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 rent 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).

Future minimum payments on these lease commitments for years subsequent to September 30, 2022 are approximately as follows:

2023	\$	240,000
2024		240,000
2025		240,000
2026		<u>100,000</u>
	\$	<u>820,000</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. COMMITMENTS (CONTINUED)

Rental expense, which includes real estate taxes and certain other operating costs, under this lease was \$248,925 (\$248,361 - 2021) before the Foundation reimbursement of \$30,000 for the year ended September 30, 2022 and 2021. These net expenses have been allocated to the management and general expenses in the accompanying consolidated financial statements.

Employment Contracts: The Organization is obligated under an employment agreement with an officer effective April 12, 2021, continuing through September 30, 2024. The agreement provides for among other things, duties of the officer, compensation, benefits and criteria for incentive compensation.

NOTE 11. 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, 2022 amounted to \$36,104 (\$45,362 - 2021) and are allocated to the various departments in the accompanying consolidated statements of activities and changes in net assets.

NOTE 12. PENSION BENEFIT PLAN

The employees of the Organization 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, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 1,030,984	\$ 1,034,112
Interest cost	19,720	20,428
Actuarial loss	(247,775)	2,439
Less: benefits paid	25,995	25,995
Benefit obligation at end of year	<u>776,934</u>	<u>1,030,984</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. PENSION BENEFIT PLAN (CONTINUED)

Change in Plan Assets:

Fair value of plan assets at beginning of year	720,087	596,209
Actual return on plan assets	(115,157)	100,352
Employer contributions prior to measurement date	11,174	49,521
Less: benefits paid	<u>25,995</u>	<u>25,995</u>
Fair value of plan assets at end of year	<u>590,109</u>	<u>720,087</u>
Unfunded status	<u>\$ (186,825)</u>	<u>\$ (310,897)</u>

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

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ 776,934	\$ 1,030,984
Accumulated benefit obligation	\$ 776,934	\$ 1,030,984
Fair value of plan assets	\$ 590,109	\$ 720,087

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

	<u>2022</u>	<u>2021</u>
Recognized net actuarial loss	\$ <u>355,444</u>	\$ <u>355,444</u>
Total amount recognized	\$ <u>355,444</u>	\$ <u>355,444</u>
Components of net periodic benefit cost:		
Interest cost on benefit obligation	\$ 19,720	\$ 20,428
Expected return on plan assets	(28,709)	(29,716)
Amortization of net loss	<u>14,420</u>	<u>18,837</u>
Pension cost	<u>\$ 5,431</u>	<u>\$ 9,549</u>

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

Assumptions: The weighted average assumptions used to determine benefit obligations and net periodic benefit cost at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Benefit obligations</u>		
Discount rate	5.25%	2.25%
Rate of compensation increase	N/A	N/A
<u>Net periodic benefit cost</u>		
Discount rate	2.25%	2.00%
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.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. PENSION BENEFIT PLAN (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	4.72%	4.72%
Equities	62.36%	62.36%
Fixed income	32.92%	32.92%

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

<u>Years Ending September 30,</u>	
2023	\$ 24,270
2024	23,025
2025	21,732
2026	299,916
Thereafter	<u>78,344</u>
Total	\$ <u>447,287</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, 2022 and 2021:

	Assets at Fair Value as of September 30, 2022			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Cash and cash equivalents	\$ 23,525	\$ -	\$ -	\$ 23,525
Equities	341,382	-	-	341,382
Fixed income mutual funds	<u>225,202</u>	<u>-</u>	<u>-</u>	<u>225,202</u>
Total assets at fair value	\$ <u>590,109</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>590,109</u>

	Assets at Fair Value as of September 30, 2021			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Cash and cash equivalents	\$ 34,021	\$ -	\$ -	\$ 34,021
Equities	449,063	-	-	449,063
Fixed income mutual funds	<u>237,003</u>	<u>-</u>	<u>-</u>	<u>237,003</u>
Total assets at fair value	\$ <u>720,087</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>720,087</u>

NOTE 13. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated all events and transactions for potential recognition or disclosure through January 11, 2023, which is the date these financial statements were available to be issued.

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Secured Finance Network, Inc.</u>	<u>Secured Finance Foundation</u>
ASSETS				
Cash and cash equivalents	\$ 3,518,528	\$ -	\$ 3,333,594	\$ 184,934
Investments, at fair value	1,855,158	-	1,611,470	243,688
Accounts receivable, net of allowance	286,032	-	262,032	24,000
Pledge receivables, net of allowance	79,200	-	-	79,200
Prepaid expenses	287,768	-	285,573	2,195
Due from related parties	64,009	(263,442)	327,451	-
Other assets	3,318	-	3,318	-
Property and equipment, net	115,948	-	115,948	-
	<u>\$ 6,209,961</u>	<u>\$ (263,442)</u>	<u>\$ 5,939,386</u>	<u>\$ 534,017</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 448,701	\$ -	\$ 417,701	\$ 31,000
Deferred membership dues	763,797	-	763,797	-
Deferred revenue, convention	1,621,490	-	1,621,490	-
Deferred revenue, events	29,500	-	-	29,500
Deferred revenue, other	96,882	-	96,882	-
Deferred rent	75,376	-	75,376	-
Due to related parties	-	(263,442)	-	263,442
Accrued pension and other post-employment benefits	186,825	-	186,825	-
Line of credit	2,550	-	2,550	-
Notes payable	2,000,000	-	2,000,000	-
Total liabilities	<u>5,225,121</u>	<u>(263,442)</u>	<u>5,164,621</u>	<u>323,942</u>
Net assets:				
Without donor restrictions	<u>984,840</u>	<u>-</u>	<u>774,765</u>	<u>210,075</u>
Total liabilities and net assets	<u>\$ 6,209,961</u>	<u>\$ (263,442)</u>	<u>\$ 5,939,386</u>	<u>\$ 534,017</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Secured Finance Network, Inc.</u>	<u>Secured Finance Foundation</u>
ASSETS				
Cash and cash equivalents	\$ 1,224,020	\$ -	\$ 1,126,912	\$ 97,108
Investments, at fair value	976,061	-	686,799	289,262
Accounts receivable, net of allowance	484,888	-	439,063	45,825
Pledge receivables, net of allowance	112,500	-	-	112,500
Prepaid expenses	203,826	-	144,081	59,745
Due from related parties	63,009	(424,807)	487,816	-
Other assets	3,318	-	3,318	-
Property and equipment, net	185,547	-	185,547	-
	<u>3,253,169</u>	<u>(424,807)</u>	<u>3,073,536</u>	<u>604,440</u>
Total assets	<u>\$ 3,253,169</u>	<u>\$ (424,807)</u>	<u>\$ 3,073,536</u>	<u>\$ 604,440</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 434,123	\$ -	\$ 427,165	\$ 6,958
Deferred membership dues	464,666	-	464,666	-
Deferred revenue, convention	1,209,513	-	1,209,513	-
Deferred revenue, events	40,500	-	-	40,500
Deferred revenue, other	43,177	-	43,177	-
Deferred rent	100,409	-	100,409	-
Due to related parties	-	(424,807)	-	424,807
Accrued pension and other post-employment benefits	310,897	-	310,897	-
Notes payable	219,712	-	219,712	-
Total liabilities	<u>2,822,997</u>	<u>(424,807)</u>	<u>2,775,539</u>	<u>472,265</u>
Net assets:				
Without donor restrictions	<u>430,172</u>	<u>-</u>	<u>297,997</u>	<u>132,175</u>
Total liabilities and net assets	<u>\$ 3,253,169</u>	<u>\$ (424,807)</u>	<u>\$ 3,073,536</u>	<u>\$ 604,440</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<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	\$ 199,072	\$ -	\$ 199,072	\$ -
Conventions and conferences	2,474,056	-	2,474,056	-
Publications	571,479	-	571,479	-
Membership	1,465,541	-	1,465,541	-
Chapter	10,000	-	10,000	-
Events	259,250	-	-	259,250
Contributions	432,670	-	-	432,670
Contributed services	254,850	-	254,850	-
Total revenue	<u>5,666,918</u>	<u>-</u>	<u>4,974,998</u>	<u>691,920</u>
Expenses:				
Program services:				
Conventions and conferences	2,363,173	-	2,313,148	50,025
Publications	582,761	-	582,761	-
Educational programs	597,593	-	497,585	100,008
Foundation events	150,670	-	-	150,670
Members	401,308	-	401,308	-
Total program services	<u>4,095,505</u>	<u>-</u>	<u>3,794,802</u>	<u>300,703</u>
Support services:				
Management and general	1,468,445	-	1,173,602	294,843
Total support services	<u>1,468,445</u>	<u>-</u>	<u>1,173,602</u>	<u>294,843</u>
Total expenses	<u>5,563,950</u>	<u>-</u>	<u>4,968,404</u>	<u>595,546</u>
Change in net assets from operations	<u>102,968</u>	<u>-</u>	<u>6,594</u>	<u>96,374</u>
Non-operating income (expense)				
Other income	22,054	-	-	22,054
Other income - COVID stimulus	445,609	-	445,609	-
Interest and net investment income	16,563	-	11,620	4,943
Investment fees	(12,916)	-	(9,290)	(3,626)
Interest expense	(54)	-	(54)	-
Unrealized loss on investments	(88,719)	-	(52,786)	(35,933)
Realized loss on investments	(42,727)	-	(36,815)	(5,912)
Change in pension funded status	111,890	-	111,890	-
	<u>451,700</u>	<u>-</u>	<u>470,174</u>	<u>(18,474)</u>
Change in net assets without donor restrictions	554,668	-	476,768	77,900
Net assets, beginning of year	<u>430,172</u>	<u>-</u>	<u>297,997</u>	<u>132,175</u>
Net assets, end of year	<u>\$ 984,840</u>	<u>\$ -</u>	<u>\$ 774,765</u>	<u>\$ 210,075</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<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	\$ 138,465	\$ -	\$ 138,465	\$ -
Conventions and conferences	1,168,307	-	1,168,307	-
Publications	557,807	-	557,807	-
Membership	1,194,713	-	1,194,713	-
Chapter	12,000	-	12,000	-
Events	78,750	-	-	78,750
Contributions	386,230	-	-	386,230
Contributed services	415,350	-	415,350	-
Total revenue	<u>3,951,622</u>	<u>-</u>	<u>3,486,642</u>	<u>464,980</u>
Expenses:				
Program services:				
Conventions and conferences	1,408,237	-	1,406,457	1,780
Publications	562,396	-	562,396	-
Educational programs	751,540	-	651,532	100,008
Foundation events	58,671	-	9,350	49,321
Members	399,624	-	399,624	-
Total program services	<u>3,180,468</u>	<u>-</u>	<u>3,029,359</u>	<u>151,109</u>
Support services:				
Management and general	1,200,088	-	965,476	234,612
Total support services	<u>1,200,088</u>	<u>-</u>	<u>965,476</u>	<u>234,612</u>
Total expenses	<u>4,380,556</u>	<u>-</u>	<u>3,994,835</u>	<u>385,721</u>
Change in net assets from operations	<u>(428,934)</u>	<u>-</u>	<u>(508,193)</u>	<u>79,259</u>
Non-operating income (expense)				
Other income	821	-	-	821
Other income - COVID stimulus	250,615	-	250,615	-
Interest and net investment income	16,236	-	11,130	5,106
Investment fees	(13,583)	-	(9,954)	(3,629)
Interest expense	(4,806)	-	(4,806)	-
Unrealized gain (loss) on investments	(3,009)	-	(16,508)	13,499
Realized gain on investments	22,574	-	5,697	16,877
Change in pension funded status	76,501	-	76,501	-
	<u>345,349</u>	<u>-</u>	<u>312,675</u>	<u>32,674</u>
Change in net assets without donor restrictions	<u>(83,585)</u>	<u>-</u>	<u>(195,518)</u>	<u>111,933</u>
Net assets, beginning of year	<u>513,757</u>	<u>-</u>	<u>493,515</u>	<u>20,242</u>
Net assets, end of year	<u>\$ 430,172</u>	<u>\$ -</u>	<u>\$ 297,997</u>	<u>\$ 132,175</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<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	\$ 554,668	\$ -	\$ 476,768	\$ 77,900
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:				
Depreciation and amortization	55,568	-	55,568	-
Other income - COVID stimulus	(219,712)	-	(219,712)	-
Realized loss on sale of investments	42,727	-	36,815	5,912
Unrealized loss on investments	88,719	-	52,786	35,933
Bad debt expense	69,477	-	46,977	22,500
Loss on disposal	14,031	-	14,031	-
Change in pension funded status	(111,890)	-	(111,890)	-
Changes in operating assets and liabilities:				
Accounts receivable	129,379	-	130,054	(675)
Pledge receivables	33,300	-	-	33,300
Prepaid expenses	(83,942)	-	(141,492)	57,550
Accounts payable and accrued expenses	14,578	-	(9,464)	24,042
Deferred membership dues	299,131	-	299,131	-
Deferred revenue, convention	411,977	-	411,977	-
Deferred revenue, events	(11,000)	-	-	(11,000)
Deferred revenue, other	53,705	-	53,705	-
Deferred rent	(25,033)	-	(25,033)	-
Accrued pension and other post-employment benefits	(12,182)	-	(12,182)	-
Net cash flows provided by operating activities	<u>1,303,501</u>	<u>-</u>	<u>1,058,039</u>	<u>245,462</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments	2,530,538	-	2,224,842	305,696
Purchases of investments	<u>(3,541,081)</u>	<u>-</u>	<u>(3,239,114)</u>	<u>(301,967)</u>
Net cash flows (used) provided by investing activities	<u>(1,010,543)</u>	<u>-</u>	<u>(1,014,272)</u>	<u>3,729</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from notes payable	2,000,000	-	2,000,000	-
Borrowings on line of credit	2,550	-	2,550	-
Advances from (repayments to) related parties	<u>(1,000)</u>	<u>-</u>	<u>160,365</u>	<u>(161,365)</u>
Net cash flows provided (used) by financing activities	<u>2,001,550</u>	<u>-</u>	<u>2,162,915</u>	<u>(161,365)</u>
Net change in cash and cash equivalents	2,294,508	-	2,206,682	87,826
Cash and cash equivalents - beginning of year	<u>1,224,020</u>	<u>-</u>	<u>1,126,912</u>	<u>97,108</u>
Cash and cash equivalents - end of year	<u>\$ 3,518,528</u>	<u>\$ -</u>	<u>\$ 3,333,594</u>	<u>\$ 184,934</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ -</u>
Non-cash financing activity: Other income - COVID stimulus	<u>\$ 219,712</u>	<u>\$ -</u>	<u>\$ 219,712</u>	<u>\$ -</u>

SECURED FINANCE NETWORK, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<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	\$ (83,585)	\$ -	\$ (195,518)	\$ 111,933
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:				
Depreciation and amortization	67,360	-	67,360	-
Other income - COVID stimulus	(250,615)	-	(250,615)	-
Realized gain on sale of investments	(22,574)	-	(5,697)	(16,877)
Unrealized loss (gain) on investments	3,009	-	16,508	(13,499)
Bad debt expense	46,433	-	41,433	5,000
Change in pension funded status	(76,501)	-	(76,501)	-
Changes in operating assets and liabilities:				
Accounts receivable	(223,919)	-	(176,219)	(47,700)
Pledge receivables	37,050	-	-	37,050
Prepaid expenses	41,207	-	20,452	20,755
Accounts payable and accrued expenses	70,999	-	86,777	(15,778)
Deferred membership dues	74,908	-	74,908	-
Deferred revenue, convention	550,394	-	550,394	-
Deferred revenue, events	40,500	-	-	40,500
Deferred revenue, other	29,836	-	29,836	-
Deferred rent	45,335	-	45,335	-
Accrued pension and other post-employment benefits	(50,505)	-	(50,505)	-
Net cash flows provided by operating activities	<u>299,332</u>	<u>-</u>	<u>177,948</u>	<u>121,384</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(5,200)	-	(5,200)	-
Proceeds from sale of investments	179,646	-	129,281	50,365
Purchases of investments	<u>(302,001)</u>	<u>-</u>	<u>(249,972)</u>	<u>(52,029)</u>
Net cash flows used by investing activities	<u>(127,555)</u>	<u>-</u>	<u>(125,891)</u>	<u>(1,664)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from notes payable	219,712	-	219,712	-
Repayment of notes payable	(149,900)	-	(149,900)	-
Advances from (repayments to) related parties	<u>(9,335)</u>	<u>-</u>	<u>71,035</u>	<u>(80,370)</u>
Net cash flows provided (used) by financing activities	<u>60,477</u>	<u>-</u>	<u>140,847</u>	<u>(80,370)</u>
Net change in cash and cash equivalents	232,254	-	192,904	39,350
Cash and cash equivalents - beginning of year	991,766	-	934,008	57,758
Cash and cash equivalents - end of year	<u>\$ 1,224,020</u>	<u>\$ -</u>	<u>\$ 1,126,912</u>	<u>\$ 97,108</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	<u>\$ 4,806</u>	<u>\$ -</u>	<u>\$ 4,806</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ -</u>
Non-cash financing activity: Other income - COVID stimulus	<u>\$ 250,615</u>	<u>\$ -</u>	<u>\$ 250,615</u>	<u>\$ -</u>