

PROPEL NONPROFITS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED MARCH 31, 2024 AND 2023



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**PROPEL NONPROFITS
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YEARS ENDED MARCH 31, 2024 AND 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Propel Nonprofits
Minneapolis, Minnesota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Propel Nonprofits (a nonprofit organization), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Propel Nonprofits as of March 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Propel Nonprofits 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective April 1, 2023, Propel Nonprofits adopted new accounting guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

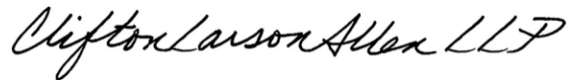
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Propel Nonprofits' 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 Propel Nonprofits' 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 Matters

Supplementary Information – Schedule of Financial Position and Activities by Fund

Our audit as of and for the year ended March 31, 2024 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of financial position by fund and activities by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
July 29, 2024

**PROPEL NONPROFITS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND 2023**

	March 31, 2024			March 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 11,782,754	\$ 1,505,806	\$ 13,288,560	\$ 7,835,313	\$ 4,632,569	\$ 12,467,882
Certificates of Deposit	106,903	-	106,903	106,903	-	106,903
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of \$8,022 in 2024 and \$9,022 in 2023	511,397	1,045,998	1,557,395	325,145	410,000	735,145
Loans Receivable, Net of Allowance of \$334,096 in 2024 and \$385,460 in 2023	13,924,967	-	13,924,967	6,147,645	-	6,147,645
Loan Interest Receivable	146,386	-	146,386	50,075	-	50,075
Other Receivables	26,783	-	26,783	33,801	-	33,801
Prepays	139,435	-	139,435	107,130	-	107,130
Total Current Assets	<u>26,638,625</u>	<u>2,551,804</u>	<u>29,190,429</u>	<u>14,606,012</u>	<u>5,042,569</u>	<u>19,648,581</u>
NONCURRENT ASSETS						
Loans Receivable, Net of Allowance of \$1,425,897 in 2024 and \$1,233,870 in 2023	19,509,917	-	19,509,917	23,108,381	-	23,108,381
Fixed Assets, Net of Depreciation	393,445	-	393,445	496,153	-	496,153
ROU Asset, Net of Amortization	838,088	-	838,088	1,045,701	-	1,045,701
Total Noncurrent Assets	<u>20,741,450</u>	<u>-</u>	<u>20,741,450</u>	<u>24,650,235</u>	<u>-</u>	<u>24,650,235</u>
Total Assets	<u>\$ 47,380,075</u>	<u>\$ 2,551,804</u>	<u>\$ 49,931,879</u>	<u>\$ 39,256,247</u>	<u>\$ 5,042,569</u>	<u>\$ 44,298,816</u>

See accompanying Notes to Financial Statements.

PROPEL NONPROFITS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2024 AND 2023

	March 31, 2024			March 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Notes Payable	\$ 8,423,990	\$ -	\$ 8,423,990	\$ 3,963,400	\$ -	\$ 3,963,400
Accounts Payable and Accrued Expenses	748,959	-	748,959	592,802	-	592,802
Current Portion of ROU Lease Liability	271,907	-	271,907	305,861	-	305,861
Interest Payable	91,367	-	91,367	59,073	-	59,073
Deferred Revenue - Current	2,309,084	-	2,309,084	11,417	-	11,417
Deferred Rent Credit	30,329	-	30,329	-	-	-
Loan Receivable Forgiveness	654,375	-	654,375	1,141,875	-	1,141,875
Funds Managed for Fiscally-Sponsored Clients	343,235	-	343,235	606,289	-	606,289
Total Current Liabilities	<u>12,873,246</u>	<u>-</u>	<u>12,873,246</u>	<u>6,680,717</u>	<u>-</u>	<u>6,680,717</u>
LONG-TERM LIABILITIES						
Notes Payable	16,945,807	-	16,945,807	18,370,045	-	18,370,045
Deferred Revenue - Long Term	2,659,794	-	2,659,794	-	-	-
ROU Lease Liability	779,512	-	779,512	1,021,019	-	1,021,019
Total Long-Term Liabilities	<u>20,385,113</u>	<u>-</u>	<u>20,385,113</u>	<u>19,391,064</u>	<u>-</u>	<u>19,391,064</u>
Total Liabilities	33,258,359	-	33,258,359	26,071,781	-	26,071,781
NET ASSETS						
Without Donor Restrictions	14,121,716	-	14,121,716	13,184,466	-	13,184,466
With Donor Restrictions	-	2,551,804	2,551,804	-	5,042,569	5,042,569
Total Net Assets	<u>14,121,716</u>	<u>2,551,804</u>	<u>16,673,520</u>	<u>13,184,466</u>	<u>5,042,569</u>	<u>18,227,035</u>
Total Liabilities and Net Assets	<u>\$ 47,380,075</u>	<u>\$ 2,551,804</u>	<u>\$ 49,931,879</u>	<u>\$ 39,256,247</u>	<u>\$ 5,042,569</u>	<u>\$ 44,298,816</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2024 AND 2023**

	March 31, 2024			March 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Gifts and Grants	\$ 3,923,186	\$ 1,437,438	\$ 5,360,624	\$ 3,906,535	\$ 3,032,500	\$ 6,939,035
Loan Interest Income	1,716,491	-	1,716,491	1,486,310	-	1,486,310
Loan Fee Revenue	83,439	-	83,439	68,677	-	68,677
Program Revenue	959,619	-	959,619	686,619	-	686,619
Investment Income	515,028	-	515,028	151,143	-	151,143
Net Assets Released from Restrictions	3,928,203	(3,928,203)	-	5,955,356	(5,955,356)	-
Total Revenues	11,125,966	(2,490,765)	8,635,201	12,254,640	(2,922,856)	9,331,784
EXPENSES						
Program Service:						
Training, Guidance, and Knowledge Sharing	912,822	-	912,822	1,027,651	-	1,027,651
Capacity Building Initiatives	3,162,035	-	3,162,035	4,539,746	-	4,539,746
Lending	1,912,784	-	1,912,784	2,149,306	-	2,149,306
Strategic Services	787,133	-	787,133	727,724	-	727,724
Accounting and Finance Services	236,797	-	236,797	195,547	-	195,547
FS and Incorporation Services	1,633,631	-	1,633,631	2,200,968	-	2,200,968
Total Program Services	8,645,202	-	8,645,202	10,840,942	-	10,840,942
Core Mission Support: Management and General	1,267,524	-	1,267,524	1,213,796	-	1,213,796
Core Mission Support: Fundraising	275,990	-	275,990	276,296	-	276,296
Total Expenses	10,188,716	-	10,188,716	12,331,034	-	12,331,034
CHANGE IN NET ASSETS	937,250	(2,490,765)	(1,553,515)	(76,394)	(2,922,856)	(2,999,250)
Net Assets - Beginning of Year	13,184,466	5,042,569	18,227,035	13,260,860	7,965,425	21,226,285
NET ASSETS - END OF YEAR	<u>\$ 14,121,716</u>	<u>\$ 2,551,804</u>	<u>\$ 16,673,520</u>	<u>\$ 13,184,466</u>	<u>\$ 5,042,569</u>	<u>\$ 18,227,035</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2024**

	Program Services						Core Mission Support			Total	
	Training, Guidance, and Knowledge Sharing	Capacity Building Initiatives	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship	Subtotal	Management and General	Fundraising		Subtotal
EXPENSES											
Personnel Expenses	\$ 370,644	\$ 431,296	\$ 655,555	\$ 665,720	\$ 200,514	\$ 246,861	\$ 2,570,590	\$ 889,425	\$ 190,690	\$ 1,080,115	\$ 3,650,705
Contracted Services	128,658	606,765	8,822	425	-	657	745,327	168,912	51,333	220,245	965,572
Grants to Other Entities	339,403	2,021,974	282,500	-	-	1,313,593	3,957,470	-	-	-	3,957,470
Occupancy	33,847	42,624	56,991	60,042	18,600	25,172	237,276	68,215	15,436	83,651	320,927
Equipment and Technology Expense	28,092	32,627	47,375	44,909	13,719	33,977	200,699	50,212	11,463	61,675	262,374
Travel Expenses	621	6,963	9,099	2,097	-	2,469	21,249	5,882	364	6,246	27,495
Meeting Expenses	675	9,399	6,916	1,683	92	1,871	20,636	31,601	3,440	35,041	55,677
Marketing and Communications Expenses	2,873	3,776	4,975	5,077	1,565	2,127	20,393	156	1,409	1,565	21,958
Other Operating Expenses	8,009	6,611	10,995	7,180	2,307	6,904	42,006	52,864	1,855	54,719	96,725
Interest Expense on Debt	-	-	619,864	-	-	-	619,864	-	-	-	619,864
Provision for Credit Losses	-	-	202,992	-	-	-	202,992	-	-	-	202,992
Other Filing and Fee Expense	-	-	6,700	-	-	-	6,700	257	-	257	6,957
Total Direct Expenses	<u>912,822</u>	<u>3,162,035</u>	<u>1,912,784</u>	<u>787,133</u>	<u>236,797</u>	<u>1,633,631</u>	<u>8,645,202</u>	<u>1,267,524</u>	<u>275,990</u>	<u>1,543,514</u>	<u>10,188,716</u>
Administrative Allocation	168,438	216,989	285,564	297,893	93,695	126,626	1,189,205	(1,267,524)	78,319	(1,189,205)	-
Fundraising Allocation	<u>50,501</u>	<u>64,773</u>	<u>84,512</u>	<u>89,472</u>	<u>27,596</u>	<u>37,455</u>	<u>354,309</u>	-	<u>(354,309)</u>	<u>(354,309)</u>	-
True Program Costs	<u>\$ 1,131,761</u>	<u>\$ 3,443,797</u>	<u>\$ 2,282,860</u>	<u>\$ 1,174,498</u>	<u>\$ 358,088</u>	<u>\$ 1,797,712</u>	<u>\$ 10,188,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,188,716</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2023**

	Program Services						Core Mission Support				Total
	Training, Guidance, and Knowledge Sharing	Capacity Building Initiatives	Lending	Strategic Services	Accounting and Finance Services	Fiscal Sponsorship	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES											
Personnel Expenses	\$ 415,610	\$ 303,893	\$ 588,910	\$ 593,278	\$ 160,253	\$ 205,852	\$ 2,267,796	\$ 769,374	\$ 198,580	\$ 967,954	\$ 3,235,750
Contracted Services	472,970	460,944	9,108	4,295	-	3,535	950,852	253,497	33,000	286,497	1,237,349
Grants to Other Entities	31,000	3,705,400	693,750	-	-	1,916,179	6,346,329	-	-	-	6,346,329
Occupancy	42,509	33,434	54,691	59,642	16,702	21,901	228,879	68,468	19,312	87,780	316,659
Equipment and Technology Expense	45,238	27,540	47,231	50,102	13,892	42,097	226,100	56,092	16,015	72,107	298,207
Travel Expenses	4,183	54	588	2,425	34	1,463	8,747	47	1,814	1,861	10,608
Meeting Expenses	4,541	1,894	11,534	1,917	298	643	20,827	5,180	2,749	7,929	28,756
Marketing and Communications Expenses	2,878	2,520	4,122	4,107	1,231	1,640	16,498	2,006	1,644	3,650	20,148
Other Operating Expenses	8,722	4,067	12,170	11,958	3,137	7,654	47,708	58,802	3,182	61,984	109,692
Interest Expense on Debt	-	-	549,041	-	-	-	549,041	-	-	-	549,041
Provision for Loan Loss Reserve	-	-	175,000	-	-	-	175,000	-	-	-	175,000
Other Filing and Fee Expense	-	-	3,161	-	-	4	3,165	330	-	330	3,495
Total Direct Expenses	<u>1,027,651</u>	<u>4,539,746</u>	<u>2,149,306</u>	<u>727,724</u>	<u>195,547</u>	<u>2,200,968</u>	<u>10,840,942</u>	<u>1,213,796</u>	<u>276,296</u>	<u>1,490,092</u>	<u>12,331,034</u>
Administrative Allocation	207,511	161,864	266,865	293,377	81,976	107,489	1,119,082	(1,213,796)	94,714	(1,119,082)	-
Fundraising Allocation	<u>68,578</u>	<u>54,671</u>	<u>88,498</u>	<u>97,050</u>	<u>26,921</u>	<u>35,292</u>	<u>371,010</u>	<u>-</u>	<u>(371,010)</u>	<u>(371,010)</u>	<u>-</u>
True Program Costs	<u>\$ 1,303,740</u>	<u>\$ 4,756,281</u>	<u>\$ 2,504,669</u>	<u>\$ 1,118,151</u>	<u>\$ 304,444</u>	<u>\$ 2,343,749</u>	<u>\$ 12,331,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,331,034</u>

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,553,515)	\$ (2,999,250)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation Expense	155,166	166,483
Provision for Credit Losses	202,992	175,000
Amortization of Note Payable Commitment Fee	1,000	1,000
Loan Forgiveness - Recovery Capital Program	770,000	448,125
Amortization on Leases	25,878	22,072
Changes in Assets and Liabilities:		
Accounts and Grants Receivable	(822,250)	135,980
Loan Interest Receivable	(96,311)	7,553
Prepays	(32,305)	37,506
Other Receivables	7,018	704,802
Right-of-Use (ROU) Asset - Amortization	207,613	-
Accounts Payable and Accrued Expenses	156,157	(124,880)
Interest Payable	32,294	(38,297)
Deferred Revenue	4,957,461	(404,885)
Lease Liability (ROU Assets)	(275,461)	70,088
Loan Receivable Forgiveness	(487,500)	245,625
Cash Receipts on Behalf of Fiscally Sponsored Clients	1,266,242	1,920,485
Cash Disbursements on Behalf of Fiscally Sponsored Clients	(1,529,296)	(1,896,102)
Net Cash Provided (Used) by Operating Activities	2,985,183	(1,528,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Receivable Principal Advanced	(13,695,260)	(12,911,936)
Loan Receivable Repayments	8,573,739	10,457,434
Purchase of Fixed Assets	(53,458)	(109,802)
Net Change in Certificates of Deposit	-	77,446
Net Cash Used by Investing Activities	(5,174,979)	(2,486,858)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable	4,400,000	60,000
Principal Payments on Notes Payable	(1,363,648)	(3,078,135)
Note Payable Equipment Financing Principal Payments	-	(52,274)
Principal Payments on Financing Lease Obligation	(25,878)	(30,956)
Net Cash Provided (Used) by Financing Activities	3,010,474	(3,101,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	820,678	(7,116,918)
Cash and Cash Equivalents - Beginning of Year	12,467,882	19,584,800
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,288,560	\$ 12,467,882
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest During the Year	\$ 588,485	\$ 588,467

See accompanying Notes to Financial Statements.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Propel Nonprofits' mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits (Propel) serves nonprofits in Minnesota and neighboring states.

History – On December 31, 2016, Nonprofits Assistance Fund and MAP for Nonprofits merged, with Nonprofits Assistance Fund as the surviving corporate entity. The business combination was treated as an acquisition and the FY2017 audited financial statements provide details of the related accounting. In October 2017, the merged entity officially changed its name to Propel Nonprofits. The rebranding process was the culmination of extensive board, staff, and professional consideration of the new culture and identity that the merged organization would carry forward. Amendments of the corporation's Articles of Incorporation and bylaws were filed and certified with the state of Minnesota on October 2, 2017.

Tax-Exempt Status – Propel was originally created as a Type I supporting organization of The Minneapolis Foundation. In May 2017, then Nonprofits Assistance Fund submitted a request for determination by the Internal Revenue Service (IRS) to reclassify its status to that of an organization described in Internal Revenue Code (IRC) Sections 509(a)(1) and 170(B)(1)(A)(vi). On September 1, 2017, the IRS issued a letter stating that then Nonprofits Assistance Fund met the requirements for classification as a public charity. After the October name change, Propel Nonprofits requested and received an updated determination letter from the IRS dated November 15, 2017 confirming that the renamed organization, now officially Propel Nonprofits, was determined to be a public charity. On January 21, 2021, Propel Nonprofits became independent of The Minneapolis Foundation through a change in their bylaws which relinquished The Minneapolis Foundation's power to elect a majority of the Propel Nonprofits board members.

Propel's programs are as follows:

Program and Operations – As a Community Development Financial Institution (CDFI) certified by the U.S. Department of the Treasury, Propel Nonprofits makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, improve their balance sheets, and make capital improvements.

Propel provides a wide range of integrated programs and services for nonprofit organizations. Programs provide strategic consulting services, accounting and financial services, and support for startup organizations through fiscal sponsorship. Technical assistance helps organizations understand their financial situation, strategy, and board governance, identify priorities, and develop a plan of action for the near and long-term future. Propel Nonprofits' education and training program provides workshops on topics related to board governance, financial management and leadership for directors, board members, and staff and volunteers. Propel hosts an annual Nonprofit Finance and Sustainability Conference. Other knowledge sharing activities include developing and distributing articles, guidance, templates, and analysis on topics relevant for nonprofits for managing and planning financial practices, planning, governance, and strategy.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Loan Fund – The loan fund consists of the capital committed to making loans to nonprofit organizations and the equity and debt capital at Propel Nonprofits' disposal to meet those lending needs. Loans made to nonprofits range from \$20,000 to \$1,200,000, and loan clients are organizations of all sizes and stages of development.

Fiscal Sponsorship Fund – Acting as a fiscal sponsor offers support and oversight to emerging organizations and a pathway for charitable giving that helps develop innovative responses to unmet community needs.

Tax Exempt Status

Propel is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code. It has been classified as a public charity that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. Propel is also exempt from state income taxes. Propel evaluated its tax positions and determined that it has no uncertain tax positions.

Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of Propel Nonprofits and changes therein are classified and reported as:

Net Assets Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of Propel or by the passage of time.

Propel has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class. Propel Nonprofits has no permanently restricted net assets as of March 31, 2024 and 2023.

Basis of Accounting

The accompanying financial statements of Propel are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Propel classifies all highly liquid debt securities with a maturity of three months or less at the time of purchase to be cash equivalents. Propel maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certificates of Deposit

Certificates of deposit are carried at cost, which approximates fair value due to the short-term nature of the certificates.

Accounts and Grants Receivable

Accounts and grants receivable are stated at net realizable value. The allowance for credit losses on accounts and grants receivable was \$8,022 and \$9,022 as of March 31, 2024 and 2023, respectively. Management estimates this allowance of \$8,022 to be appropriate to the current quality of receivables.

Loans Receivable and Allowance for Credit Losses

Loans receivable are stated at unpaid balances, reduced by the allowance for credit losses. Loans are recorded when funded. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for credit losses. Propel has determined accounting for nonrefundable fees and costs associated with originating or acquiring loans, does not have a material effect on its financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

The loans receivable portfolio consists of notes with interest rates ranging from 1.0% to 8.00% with maturities through 2044. Interest income is accrued on the unpaid principal balance. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income and amortization of related deferred loan fees or costs is suspended. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. The cash-basis is used when a determination has been made that the principal and interest of the loan is collectible. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, the borrower has demonstrated a period of sustained performance, and future payments are reasonably assured. A sustained period of repayment performance generally would be a minimum of six months.

Effective, April 1, 2023, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Organization determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses.

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Credit Losses (Continued)

Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or delinquencies, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type and internal risk ratings. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Organization.

The allowance for credit losses on loans estimate incorporates a reasonable and supportable economic forecast through the use of externally developed macroeconomic scenarios applied in the model. The length of the reasonable and supportable forecast period is evaluated at each reporting period and adjusted if deemed necessary. Currently, the Organization uses a 1-year reasonable and supportable forecast period in estimating the allowance for credit losses on loans. After the reasonable and supportable forecast period, the models effectively revert to long-term mean loss on a straight-line basis over 12 months.

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate. Once loans are considered uncollectible, an assessment of collateral value is made; any outstanding loan balance in excess of fair value less cost to sell is charged off. Additionally, any outstanding balance in excess of fair value of collateral less cost to sell is charged off when the asset is foreclosed by the Organization. Working capital loans are charged off when, in management's judgment, they are considered to be uncollectible.

The Organization utilized the weighted average remaining maturity (WARM) method in determining expected future credit losses for each of the loans. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Credit Losses (Continued)

To estimate a CECL loss rate for the pool, management first identifies the loan losses recognized between the pool date and the reporting date for the pool and determines which loan losses were related to loans outstanding at the pool date. The loss rate method then divides the loan losses recognized on loans outstanding as of the pool date by the outstanding loan balance as of the pool date.

The Organization's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look-back period includes April 2008 through March 2012, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Organization may supplement its own portfolio data with external models or data.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible.

The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management's ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonperforming loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; (ix) the fair value of underlying collateral; and (x) other qualitative and quantitative factors which could affect expected credit losses.

The Organization's CECL estimate applies a forecast that incorporates macroeconomic trends and other environmental factors. Management utilized national, regional and local leading economic indexes, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

The Organization establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans evaluated using a collective or pooled basis. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline and include non-accrual loans and other loans as deemed appropriate by management. Although management believes the allowance for credit losses on loans to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance for credit losses on loans, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors. Prior to the adoption of ASC 326, the Company used an incurred loss model to measure an allowance for loan losses.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from Propel, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) Propel does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Secured Borrowings

Propel has lending arrangements with the City of Minneapolis office of Community Planning and Economic Development (CPED) and participating lenders whereby sale of participation does not meet the derecognition criteria under ASC 860 and are therefore accounted for by Propel as secured borrowings. Under these agreements, the transferor (Propel) sells participation in loans to the transferee (participant) ranging from 99% or less of the loan. The accounting treatment for secured borrowings involves recognizing the cash received as an asset and continuing to recognize the loans on the statement of financial position with an offsetting liability for the loans sold through the secured borrowing arrangements. Propel records interest income as if the loan is still held and records interest expense representing their obligation to the participant on a gross basis. As part of the participation agreement, the participant may be entitled to a percentage of the origination fee for the loan, a pro rata share of any late fees, and a pro rata share of the principal and interest payments. Propel services the loan and, in some cases, is entitled to a servicing fee ranging from 0.25% to 2.0% annually of the participants pro rata share of the outstanding principal balance of the loan throughout the term of the loan, which is deducted from monthly interest payments. The participation portion of the loan is included within loan receivables, and the liability is included as notes payable on the statement of financial position.

Loan Servicing

Propel sells certain loans it originates to outside parties and retains the right to service such loans over their remaining life. Propel is required to record an asset or liability based on whether the benefits of servicing received by Propel are more or less than adequate compensation in the marketplace for such activities. Propel is also required to initially measure all separately recognized servicing rights at fair value, if practicable. Management has assessed the impact that its servicing activities has on its financial statements and has determined that such activities are immaterial to the financial statements. Therefore, neither a servicing asset nor a liability has been recorded for such activities.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables

The other receivables represent advances of loan funds and grants to other organizations for contracts not yet finalized at year-end.

Revenue Recognition

Revenue recognition treatment is determined on a case-by-case basis in accordance with generally accepted accounting principles. The major revenue streams of Propel and corresponding revenue recognition treatment is as follows:

Loan Servicing Revenue – Loan interest and fees are generated from outstanding or originated loans and are recognized ratably over the duration of the loan or as services are performed.

Gifts and Grants – Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are considered to be without donor restriction unless specifically communicated by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When these restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. When restrictions are fulfilled in the same time period as the contribution is received, Propel presents such contributions in the net assets without donor restrictions class.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Government Grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. During fiscal year 2024, Propel received cost reimbursable contracts of \$8,757,678 that will be recognized as revenue in the future once eligible expenses have been incurred. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Propel will record such disallowance at the time the final assessment is made.

Program Revenue – Program revenue includes various service fees charged to individuals and independent organizations who partner with Propel on short-term projects related to its overall mission. Such revenue might include consulting, training, bookkeeping, or management services performed by Propel. The fees for these services are agreed upon through contracts which are based on the identified performance obligations at a set price or rate. Propel recognizes the revenue as the performance obligations are met under the contract over time.

Deferred Revenue

Propel records cash received for future services as deferred revenue. This revenue is recognized when services are rendered.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Payable With Below-Market Interest Rates

After evaluation, it was determined that there is no material difference between prevailing community development finance market rates and the stated rate of any loans, notes payable, or other liabilities in Propel Nonprofits' portfolio. Correspondingly, there is no discount on notes payable stated at March 31, 2024 or 2023, respectively.

Fixed Assets

All major expenditures \$1,000 or more for equipment are capitalized at cost. Contributed items are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulation, contributions of equipment are recorded as without donor restrictions. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Leases

Propel Nonprofits leases office space and equipment and determines if an arrangement is a lease at inception. Both operating and finance leases are reported on the balance sheet as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the balance sheets.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Balance-Sheet Credit Related Financial Instruments

In the ordinary course of business, Propel has entered into commitments to extend credit, including commitments under credit arrangements. Such financial instruments are recorded when they are funded. Expected credit losses related to off-balance sheet credit exposures are estimated over the contractual period for which Propel is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by Propel. Expected credit losses are estimated using similar methodologies employed to estimate expected credit losses on loans, taking into consideration the likelihood and extent of additional amounts expected to be funded over the terms of the commitments. The liability for credit losses on off-balance sheet credit exposures is presented within other liabilities on the statement of financial position. Adjustments to the liability are included in the provision for credit losses.

Concentrations of Credit Risk

Most of the Propel's activities are with borrowers located within the state of Minnesota. In addition, a substantial portion of its loans are due from education charter schools and human service organizations. Loans due from education charter schools and human service organizations comprised 37% and 20%, respectively, at March 31, 2024. As a result, Propel is exposed to credit risk from a regional and economic standpoint due to these concentrations of its borrowers.

Functional Allocation of Expense

Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which Propel delivers its programs, rents are allocated based on staff hours devoted to each program or function. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

Fair Value Measurements

Propel categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with accounting standards. Propel does not currently have any financial assets or financial liabilities that are measured at fair value on a recurring or nonrecurring basis.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Subsequent Events

Management has evaluated subsequent events through July 29, 2024, the date on which the financial statements were available for issue. Subsequent to fiscal year-end, Propel entered into a \$2,475,000 loan agreement with U.S. Bank.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

On April 1, 2023, Propel adopted Accounting Standards Update (ASU) 2016-03, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (CECL). The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity securities. It also applies to off-balance sheet credit exposures such as loan commitments and standby letters of credit. In addition, changes were made to the accounting for available for sale securities, which requires credit losses to be presented as an allowance rather than as a direct write-down of the available for sale securities when management does not intend to sell or believes that it is more likely than not that they will be required to sell. Propel adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-balance sheet credit exposures. Results for annual periods beginning after April 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP.

On March 31, 2022, the Financial Accounting Standards Board (FASB) issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring (TDR), accounting model for creditors that have adopted Topic 326, *Financial Instruments – Credit Losses*.

In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Upon adoption of this guidance, Propel no longer establishes a specific reserve for modifications made on or after April 1, 2023 to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective loan segment in the allowance for credit losses on loans. Propel has adopted ASU 2022-02 effective on April 1, 2023.

The adoption of these standards did not have a material effect on the Organization's operating results or financial condition.

NOTE 2 FISCAL SPONSORSHIP

Propel acts as a fiscal sponsor to emerging projects based in Minnesota, North Dakota, South Dakota, and Wisconsin. These entities may be in the process of applying for 501(c)(3) status or may be short-term in nature or may be exploring whether becoming a separate nonprofit is the most appropriate long-term strategy to accomplish their mission. Propel Nonprofits accepts charitable grants and contributions on behalf of these projects. These funds are treated as contributions with donor restrictions when received by Propel. These funds are released from restriction as Propel in turn grants them to the fiscally sponsored recipients. Propel ultimately retains the discretion to redirect the funds to another entity if needed to accomplish the intended purpose of the donation or grant.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 2 FISCAL SPONSORSHIP (CONTINUED)

Prior to January 1, 2024, once the funds had been granted to the fiscally sponsored client, the client had the option to hold and manage those funds on its own or enter an arrangement where Propel administered the funds on behalf of the client. If the client chose to have Propel administer its funds, those funds became a liability of Propel Nonprofits. Propel held the client's funds in a custodial account, provided bookkeeping and accounting services, and assisted in other administrative duties. The management of the fiscally-sponsored client directed the use of the funds. Propel simply executed the mechanics of the transactions. As of March 31, 2024 and March 31, 2023, the total liability of Funds Managed for Fiscally Sponsored Clients was \$343,235 and \$606,289, respectively.

Starting January 1, 2024, Propel Nonprofits transitioned to a new process in which incoming grants received by Propel on behalf of fiscally sponsored clients are recorded as cash and restricted revenue in the fiscal sponsorship fund. Fiscally sponsored clients request funds to be transferred to them, at which time Propel records the outgoing cash as a release from restriction and expenses it as Grants to Other Entities. Propel is no longer offering the option for Propel to administer funds on behalf of the fiscally sponsored client. As such, the liability of Funds Managed for fiscally sponsored clients will be gradually spent down to \$-0- as fiscally sponsored clients request the remaining funds in that account.

NOTE 3 LOANS RECEIVABLE

Propel Nonprofits' mission is fueling the effectiveness of nonprofits with guidance, expertise, and capital. As a Community Development Financial Institution (CDFI) certified by the U.S. Department of the Treasury, Propel makes loans to nonprofit organizations to expand programs and services, bridge cash flow gaps, consolidate debt, improve their balance sheets, and make capital improvements. Propel manages its loan portfolio with its mission and the missions of its nonprofit partners in mind. The following information details the loan portfolio, its performance, and its reach into the nonprofit sector.

Anticipated principal payments on loans receivable as of March 31, 2024 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2025, Net of Allowance of \$334,096	\$ 13,924,967
2026 through 2029, Net of Allowance of \$1,242,954	17,006,409
Thereafter, Net of Allowance of \$182,943	2,503,508
Total	<u>\$ 33,434,884</u>

Propel has the following commitments as of March 31, 2024:

Available Term Loans, With Maturities to FY2030	\$ 1,250,000
Available Nonrevolving Lines of Credit, With Maturities to FY2024	20,000
Available Lines of Credit, With Maturities Through FY2024	<u>3,293,029</u>
Total Commitments	<u>\$ 4,563,029</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Loans receivable at March 31 were comprised of the following:

	<u>2024</u>	<u>2023</u>
Working Capital/Business	\$ 9,508,158	\$ 5,163,957
Working Capital/Recovery Capital Loan	5,506,842	5,784,625
Microloan	158,887	261,488
Capital Asset/Vehicle Loan	119,759	-
Community Facilities	18,740,381	18,471,422
Affordable Housing	<u>1,160,850</u>	<u>1,193,864</u>
Subtotal	35,194,877	30,875,356
Allowance for Credit Losses	<u>(1,759,993)</u>	<u>(1,619,330)</u>
Loans Receivable, Net	<u>\$ 33,434,884</u>	<u>\$ 29,256,026</u>

Working capital/business loan credit is extended to nonprofit organizations for program expansion, short-term bridge loans, cash flow stabilization, and funding growth. These loans are often secured with business assets such as grants receivable or program revenue receivables, sometimes with other business assets such as liens on facilities but may in some short-term situations be made on an unsecured basis.

Recovery Capital Loan (RCL) is a loan product developed in FY 2022 in response to the pandemic. Through donations from private philanthropy, Propel is able to provide a favorable loan product that includes a six-month period of nonpayment and 0% interest, below market interest rate, and 25% forgiveness (a grant to the loan client) of the loan over two years. The RCL is designed to be flexible, affordable, and structured to offer the time and patience needed to recover and rebuild. The maximum loan amount is \$300,000.

Microloan is a higher risk loan product aimed at helping emerging nonprofits, organizational restarts, debt consolidation, infrastructure capacity or rebuilding. Risk is mitigated by confidence in leadership and reasonable plans of the organization. The maximum loan amount is \$50,000.

Community facilities loan credit is generally extended to nonprofit organizations for building purchase, building repair, or renovation. Most of these loans are secured with first or second position mortgage liens.

Affordable housing loan credit is extended to nonprofit organizations specifically for the acquisition, construction, and/or renovation of single family or multi-family residences. Most of these loans are secured with mortgage liens or other business assets.

Propel elected to exclude accrued interest from the amortized cost basis of loans. As of March 31, 2024, and 2023, accrued interest receivable for loans totaled \$146,386 and \$50,075, respectively, and is included in loan interest receivable on the statements of financial position.

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Aging of Past Due Loans: The following table presents the aging of past due loans by loan segment as of March 31:

	Current	31-60 Days	61-90 Days	90+ Days	Total	Nonaccruing Loans	
		Past Due	Past Due	Past Due		Specific Reserve	No Specific Reserve
As of March 31, 2024							
Working Capital/Business	\$ 9,431,350	\$ 7,798	\$ 758	\$ 68,252	\$ 9,508,158	\$ -	\$ 25,249
Working Capital/RCL	5,506,842	-	-	-	5,506,842	197,218	-
Microloan	158,887	-	-	-	158,887	-	-
Capital Asset/Vehicle Loan	119,759	-	-	-	119,759	-	-
Community Facilities	18,740,381	-	-	-	18,740,381	-	-
Affordable Housing	1,160,850	-	-	-	1,160,850	-	-
Total	<u>\$ 35,118,069</u>	<u>\$ 7,798</u>	<u>\$ 758</u>	<u>\$ 68,252</u>	<u>\$ 35,194,877</u>	<u>\$ 197,218</u>	<u>\$ 25,249</u>

	Current	31-60 Days	61-90 Days	90+ Days	Total	Nonaccruing Loans	
		Past Due	Past Due	Past Due		Specific Reserve	No Specific Reserve
As of March 31, 2023							
Working Capital/Business	\$ 5,150,117	\$ 13,840	\$ -	\$ -	\$ 5,163,957	\$ -	\$ -
Working Capital/RCL	5,784,625	-	-	-	5,784,625	-	-
Microloan	261,488	-	-	-	261,488	-	-
Capital Asset/Vehicle Loan	-	-	-	-	-	-	-
Community Facilities	18,471,422	-	-	-	18,471,422	-	-
Affordable Housing	1,193,864	-	-	-	1,193,864	-	-
Total	<u>\$ 30,861,516</u>	<u>\$ 13,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,875,356</u>	<u>\$ -</u>	<u>\$ -</u>

Propel uses an internal risk rating system to monitor the credit quality of its loan portfolio. At the time of loan approval, each loan is assigned an initial risk classification. Classifications are reviewed at least quarterly during the term of the loan and at any time there is a significant change, positive or negative, in the borrower's operations.

Loan credit quality is rated using letter designations from "A" to "Loss" and "M" and "N", with "A" being the highest quality rating and "Loss" being the lowest. All Microloans are rated "M". All loans rated "N" are those in which the full risk is borne by a third party. Each category is differentiated based on evaluation of financial measures, management and governance, collateral, payment history, and likelihood of full repayment. For reporting purposes in the following tables, ratings A, B, C, M and N are grouped as Pass. An N rating is also a pass since full risk is borne by a third-party. Loans rated D are considered Watch. Loans with quality ratings of E are considered Substandard. Loans rated G or "Loss" are listed as Doubtful.

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

As of March 31, 2024	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 6,924,635	\$ 2,538,274	\$ -	\$ 45,249	\$ 9,508,158
Working Capital/RCL	5,029,620	258,519	-	218,703	5,506,842
Microloan	158,887	-	-	-	158,887
Capital Asset/ Vehicle Loan	119,759	-	-	-	119,759
Community Facilities	18,213,233	527,148	-	-	18,740,381
Affordable Housing	1,160,850	-	-	-	1,160,850
Total	\$ 31,606,984	\$ 3,323,941	\$ -	\$ 263,952	\$ 35,194,877

As of March 31, 2023	Pass	Watch	Substandard	Doubtful	Total
Working Capital/Business	\$ 3,990,890	\$ 1,147,818	\$ -	\$ 25,249	\$ 5,163,957
Working Capital/RCL	5,441,431	343,194	-	-	5,784,625
Microloan	229,488	-	-	32,000	261,488
Capital Asset/ Vehicle Loan	-	-	-	-	-
Community Facilities	18,471,422	-	-	-	18,471,422
Affordable Housing	1,193,864	-	-	-	1,193,864
Total	\$ 29,327,095	\$ 1,491,012	\$ -	\$ 57,249	\$ 30,875,356

Allowance for Credit Losses: The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Loans are charged against the allowance for credit losses when management confirms that the principal will not be collected. Subsequent recoveries, if any, are credited to the allowance. A summary of the activity in the allowance for credit losses on loans for the year ended March 31, 2024 is as follows:

March 31, 2024	Working Capital Business	Working Capital RCL	Microloan	Capital Asset/ Vehicle Loan	Community Facilities	Affordable Housing	Total
<i>Allowance for Credit Losses</i>							
Beginning Balance	\$ 323,751	\$ 297,646	\$ 56,756	\$ -	\$ 883,188	\$ 57,989	\$ 1,619,330
Transfers to ACL - Unfunded	(186,459)	3,955	(50,675)	-	228,820	(25,970)	(30,329)
Provision for Credit Losses	397,139	66,274	94,835	-	(339,105)	(16,151)	202,992
Loans Charged-Off	(32,000)	-	-	-	-	-	(32,000)
Recovery of Loans Previously Charged-Off	-	-	-	-	-	-	-
Ending Balance	\$ 502,431	\$ 367,875	\$ 100,916	\$ -	\$ 772,903	\$ 15,868	\$ 1,759,993

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Propel adopted CECL as of April 1, 2023. The prior year amounts presented are calculated under the prior accounting standard. The allowance for loan losses for loans evaluated individually and collectively for impairment by collateral class as of the year ended March 31, 2023 is as follows:

	Working Capital Business	Working Capital RCL	Microloan	Capital Asset/ Vehicle Loan	Community Facilities	Affordable Housing	Total
<i>March 31, 2023</i>							
<i>Allowance for Loan Losses</i>							
Beginning Balance	\$ 258,576	\$ 210,140	\$ 21,420	\$ 282	\$ 894,976	\$ 58,936	\$ 1,444,330
Charge Offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provisions	65,175	87,506	35,336	(282)	(11,788)	(947)	175,000
Ending Balance	<u>\$ 323,751</u>	<u>\$ 297,646</u>	<u>\$ 56,756</u>	<u>\$ -</u>	<u>\$ 883,188</u>	<u>\$ 57,989</u>	<u>\$ 1,619,330</u>
<i>Allowance for Loan Losses</i>							
<i>Ending Balance: Individually</i>							
Evaluated for Impairment	\$ 133,719	\$ 34,319	\$ 24,000	\$ -	\$ -	\$ -	\$ 192,038
<i>Ending Balance: Collectively</i>							
Evaluated for Impairment	190,032	263,327	32,756	-	883,188	57,989	1,427,292
Total	<u>\$ 323,751</u>	<u>\$ 297,646</u>	<u>\$ 56,756</u>	<u>\$ -</u>	<u>\$ 883,188</u>	<u>\$ 57,989</u>	<u>\$ 1,619,330</u>
<i>Financing Receivables</i>							
<i>Ending Balance: Individually</i>							
Evaluated for Impairment	\$ 1,173,067	\$ 343,194	\$ 32,000	\$ -	\$ -	\$ -	\$ 1,548,261
<i>Ending Balance: Collectively</i>							
Evaluated for Impairment	3,990,890	5,441,431	229,488	-	18,471,422	1,193,864	29,327,095
Total	<u>\$ 5,163,957</u>	<u>\$ 5,784,625</u>	<u>\$ 261,488</u>	<u>\$ -</u>	<u>\$ 18,471,422</u>	<u>\$ 1,193,864</u>	<u>\$ 30,875,356</u>

In addition to the allowance for credit losses on the loans above, Propel has established an allowance for credit losses on unfunded commitments, classified in other liabilities on the statements of financial position. This allowance is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments, and is determined based on a methodology similar to the methodology for determining the allowance for credit losses on loans adjusted for the expected advance rate. The allowance for credit losses on unfunded commitments as of March 31, 2024 was \$30,329.

The provision for credit losses is determined by Propel as the amount to be added to the allowance for credit losses for loans and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgement, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The components of the provision for credit losses included in the statements of activity for the years ended March 31 are as follows:

	2024	2023
Loans	\$ 195,767	\$ 175,000
Unfunded Commitments	7,225	-
Total Provision for Credit Losses	<u>\$ 202,992</u>	<u>\$ 175,000</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

Loan Charge Offs and Recoveries: During fiscal year 2024 Propel charged off one loan totaling \$32,000. In fiscal year 2023 Propel did not charge off any loans.

Collateral Dependent Loans: A loan is considered to be collateral dependent, when, based upon management assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs of collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation.

The allowance for credit losses for loans considered to be collateral dependent as of March 31, 2024 is as follows:

	Working Capital Business	Working Capital RCL	Microloan	Capital Asset/ Vehicle Loan	Community Facilities	Affordable Housing	Total
<i>Allowance for Credit Losses</i>							
Ending Balance: Collateral Dependent	\$ -	\$ 197,200	\$ -	\$ -	\$ 39,002	\$ -	\$ 236,202
<i>Loans:</i>							
Ending Balance: Collateral Dependent	\$ -	\$ 197,200	\$ -	\$ -	\$ 1,187,602	\$ -	\$ 1,384,802

Modified and Restructured Loans: On occasion, an outstanding loan is modified or restructured to offer the nonprofit borrower the best chance of success in sustaining their business model and repaying the loan. Propel has had great success in using occasional modifications to strengthen the performance of nonprofit borrowers.

Modifications may take the form of temporary adjustments for interest-only payments, an extension of maturity date, or other amendments to the original terms of the loan. For FY2024, 13 loans were modified bringing the total modified balance to \$4,458,097. Of the modified loans as of March 31, 2024 not all were performing or current with payments. Of the modified loans as of March 31, 2023, all were performing and were current with payments. Modifications to borrowers experiencing financial difficulty may include term extensions, payment delay, or other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The following table presents the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the year ended March 31, 2024:

	Type of Concession			Total	% of Total Segment of Loans
	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension		
<u>Balances as of March 31, 2024</u>					
Working Capital/Business	\$ 1,093,600	\$ -	\$ 20,000	\$ 1,113,600	11.71%
Working Capital/RCL	-	-	-	-	0.00%
Microloan	-	-	-	-	0.00%
Capital Asset/ Vehicle Loan	-	-	-	-	0.00%
Community Facilities	-	-	5,069	5,069	0.03%
Affordable Housing	100,000	-	-	100,000	8.61%
Total	<u>\$ 1,193,600</u>	<u>\$ -</u>	<u>\$ 25,069</u>	<u>\$ 1,218,669</u>	<u>3.46%</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

For the year ended March 31, payment delays and term extensions made to borrowers experiencing financial difficulty included:

- Working Capital/Business – Added a weighted-average 2 months to the life of loans, which reduced monthly payment amounts for the borrowers.
- Community Facilities – Added a weighted-average 11 months to the life of loans, which reduced monthly payment amounts for the borrowers.
- Affordable Housing – Added a weighted-average 8 months to the life of loans, which reduced monthly payment amounts for the borrowers.

To be considered a restructure, new terms that would not ordinarily be offered to a borrower in the normal course of business are extended to the borrower. This could include a change of interest rate, payment schedule or term. Loans are restructured when repayment cannot be made on the original terms agreed upon, because the borrower is experiencing financial difficulties.

For FY2024, two loans were restructured bringing the total restructured balance to \$1,027,817. Of the restructured loans as of March 31, 2024 all were performing or current with payments. Of the restructured loans as of March 31, 2023, all were performing and were current with payments.

<u>Balances As of March 31, 2024</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital/Business	\$ 2,929	\$ 983,403	\$ -	\$ 20,000	\$ 1,006,332
Working Capital/RCL	-	-	-	21,485	21,485
Microloan	-	-	-	-	-
Capital Asset/ Vehicle Loan	-	-	-	-	-
Community Facilities	-	-	-	-	-
Affordable Housing	-	-	-	-	-
Total	<u>\$ 2,929</u>	<u>\$ 983,403</u>	<u>\$ -</u>	<u>\$ 41,485</u>	<u>\$ 1,027,817</u>

<u>Balances as of March 31, 2023</u>	<u>Pass</u>	<u>Watch</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Working Capital/Business	\$ 34,440	\$ 1,026,210	\$ -	\$ -	\$ 1,060,650
Working Capital/RCL	-	-	-	-	-
Microloan	-	32,000	-	-	32,000
Capital Asset/ Vehicle Loan	-	-	-	-	-
Community Facilities	-	-	-	-	-
Affordable Housing	-	-	-	-	-
Total	<u>\$ 34,440</u>	<u>\$ 1,058,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,650</u>

<u>Balances as of March 31, 2023</u>					
Modified in FY2022	\$ -	\$ 697,660	\$ -	\$ -	\$ 697,660
Modified in FY2021	-	-	-	-	-
Modified in FY2020	-	-	-	-	-
Modified in Prior FYs	34,440	360,550	-	-	394,990
Total	<u>\$ 34,440</u>	<u>\$ 1,058,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,650</u>

PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 4 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT

Propel maintains and manages adequate operating and loan fund reserves per policies set by its Board of Directors. In the case of the operating reserve, the Finance Committee of the board regularly reviews and recommends reserve policies to the full board for approval. In the case of loan fund reserves, including loan loss reserves, the Loan Committee regularly reviews and recommends reserve policies to the full Board for approval. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are made up of the following:

Assets Without Donor Restrictions Available	2024	2023
Within 12 Months:		
Cash and Cash Equivalents (Program and Operations)	\$ 2,294,655	\$ 531,896
Cash and Cash Equivalents (Loan Fund)	9,251,767	6,746,821
Accounts Receivable (Net of Allowance)	511,397	255,145
Loan Interest Receivable	146,386	50,075
Total	\$ 12,204,205	\$ 7,583,937

Per its financial policies, Propel maintains an operating reserve with a value of no less than one-fourth of budgeted operating expenses, calculated less noncash items such as loan loss reserves and depreciation, and less grants to other entities that have a specific, corresponding revenue source. The reserve itself consists of cash, cash equivalents, CDs, assets with donor restrictions that will likely be released within 90 days, and other receivables likely to mature within 90 days.

Operating Reserve Available Within 90 days:	2024	2023
Cash and Cash Equivalents (Program and Operations Only)	\$ 2,294,655	\$ 531,896
Accounts Receivable (Net of Allowance)	511,397	255,145
Loan Interest Receivable (Available for Program and Operations)	146,386	50,075
Donor-Restricted Assets Estimated to be Released Within 90 Days	70,884	693,629
Total	\$ 3,023,322	\$ 1,530,745

Operating Reserve Requirement Per Policy:		
Budgeted Operating Expenses Subsequent Year	\$ 10,888,065	\$ 8,964,918
Less: Depreciation Expense	(166,491)	(157,630)
Less: Provision for Credit Losses	(300,000)	(100,000)
Less: Grants to Other Entities with a Corresponding Source of Revenue	(4,044,000)	(3,144,200)
Subtotal	6,377,574	5,563,088
Total Operating Reserve Requirement	\$ 1,594,394	\$ 1,390,772

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 4 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT (CONTINUED)

Other Assets Estimated to be Available Within 12 Months
Budgeted and Likely Releases from Restriction
Within 12 Months:

	<u>Balance as of March 31, 2024</u>	<u>Estimated for Release</u>
Cash With Donor Restrictions (Program and Operations)	\$ 1,335,296	\$ 1,059,296
Grants Receivable With Donor Restrictions (Program and Operations)	730,000	430,000
Cash Recorded as Deferred Revenue (Program and Operations)	809,084	809,084
Cash Recorded as Deferred Revenue (Loan Fund)	<u>4,159,794</u>	<u>1,500,000</u>
Total	<u>\$ 7,034,174</u>	<u>\$ 3,798,380</u>

Per its loan policies, Propel maintains an allowance for credit losses on loans equal to at least 5% of the outstanding loan balance. This reserve is maintained and managed to mitigate the risk of possible loan charge-offs. The loan loss reserve is funded through the operating budget as approved by the Board of Directors. See Note 3 – Loans Receivable and Allowance for Credit Losses for detailed information on the allowance for credit losses as of March 31, 2024.

Lines of Credit Available:

Available for Program and Operations and Loan Fund:	<u>Maturity Date</u>	<u>Balance</u>
Minnesota Bank & Trust	11/30/2024	\$ 2,000,000
Synchrony Financial	12/31/2025	<u>2,000,000</u>
Total		<u>\$ 4,000,000</u>

The Finance Committee, Loan Committee, and board receive quarterly financial and loan portfolio reports that include information on liquidity and reserves. As part of its commitment to investors, Propel provides quarterly investor reports that include financial and loan portfolio data. Propel also maintains its annual certification with the Community Development Financial Institution (CDFI) Fund and is rated on an annual basis by Aeris, the CDFI industry rating agency.

NOTE 5 FIXED ASSETS

Fixed assets consists of the following as of March 31:

	<u>2024</u>	<u>2023</u>
Furniture and Equipment	\$ 554,111	\$ 537,393
Leasehold Improvements	632,358	633,358
Subtotal	<u>1,186,469</u>	<u>1,170,751</u>
Less: Accumulated Depreciation	(793,024)	(674,598)
Total	<u>\$ 393,445</u>	<u>\$ 496,153</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 6 NOTES PAYABLE AND OTHER CAPITAL

This chart displays notes payable, which consist of loans with stated interest from 1.00% to 5.50% maturing through FY2031. Principal payments on notes payable and other capital at March 31, 2024 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2025	\$ 8,423,990
2026	400,000
2027	3,100,000
2028	3,000,000
2029	4,400,000
Thereafter	6,045,807
Total	<u>\$ 25,369,797</u>

Certain note agreements require compliance with various financial covenants and require audited financial statements.

Propel has entered into participation agreements with Southwest Initiative Foundation (SWIF), and the City of Minneapolis office of Community Planning and Economic Development (CPED) that are being treated as secured borrowings. Propel has the obligation to pass through interest and principal payments subject to the terms of the agreements for the life of such agreements. The principal repayment obligations stated in the participation agreements are included in the table above. The current balance of the participations as of March 31, 2024 and 2023 was \$84,786 and \$123,972, respectively.

NOTE 7 LINES OF CREDIT AND OTHER AVAILABLE CAPITAL

Propel has revolving lines of credit that are available for lending capital or operations. Stated interest rates for these lines range from 3-Month Bloomberg Short Term Yield Index plus 2.75% to the Prime Rate as published in the Wall Street Journal. These lines are unsecured. There were no outstanding borrowings as of March 31, 2024 and 2023. At March 31, 2024, the following lines of credit and other capital financing were available to be drawn:

<u>Lines of Credit</u>	<u>Maturity Date</u>	<u>Amount</u>
Minnesota Bank & Trust	11/30/2024	\$ 2,000,000
Synchrony Financial	12/31/2025	2,000,000
Total Lines of Credit		<u>\$ 4,000,000</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 8 RETIREMENT PLAN

Following the January 2017 business combination, the retirement plans of both organizations were maintained. In FY18, the board of directors approved to adopt the already existing Mutual of America plan. The plan retains the employer contribution of 5% of gross salary, with no matching provision. Employees are free to make additional voluntary contributions to the plan. Retirement plan expense was \$142,815 and \$125,040 for the years ended March 31, 2024 and 2023, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of March 31:

	<u>2024</u>	<u>2023</u>
Restricted for Specific Purposes:		
Program and Operations - Purpose	\$ 1,395,297	\$ 4,607,569
Program and Operations - Time	670,000	135,000
Fiscal Sponsorship Fund - Purpose	131,507	-
Fiscal Sponsorship Fund - Time	355,000	300,000
Total	<u>\$ 2,551,804</u>	<u>\$ 5,042,569</u>

Net assets were released during the years ended March 31 for the following purposes:

	<u>2024</u>	<u>2023</u>
Release for Satisfaction of Specific Purpose:		
Program and Operations - Purpose	\$ 3,504,774	\$ 5,455,356
Program and Operations - Time	135,150	220,000
Fiscal Sponsorship Fund - Purpose	48,279	-
Fiscal Sponsorship Fund - Time	240,000	280,000
Total	<u>\$ 3,928,203</u>	<u>\$ 5,955,356</u>

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 10 LEASES

Propel Nonprofits leases office space and equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028.

The following table provides quantitative information concerning Propel Nonprofits' leases for the year ended March 31, 2024 :

Right of Use Assets:	
Financing Lease Right-of-Use Asset:	\$ 32,074
Operating Lease Right-of-Use Asset	<u>838,088</u>
Total Leased Right-of-Use Assets	<u><u>\$ 870,162</u></u>
Lease Liabilities:	
Current:	
Financing Leases	\$ 13,064
Operating Leases	259,075
Noncurrent:	
Financing Leases	15,020
Operating Leases	<u>764,260</u>
Total	<u><u>\$ 1,051,419</u></u>
Operating Lease Costs	\$ 243,786
Finance Lease Costs	
Amortization of Right-to-Use Assets	\$ 25,297
Interest on Lease Liabilities	\$ 1,829
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 249,331
Operating Cash Flows from Finance Leases	\$ 1,829
Financing Cash Flows from Finance Leases	\$ 26,331
ROU Assets Obtained in Exchange for New Financing Lease Liabilities	\$ 21,943
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -
Weighted Average Remaining Lease Term:	
Financing Leases	2.9 Years
Operating Leases	3.8 Years
Weighted Average Discount Rate:	
Financing Leases	4.17%
Operating Leases	2.53%

**PROPEL NONPROFITS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023**

NOTE 10 LEASES (CONTINUED)

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as March 31:

<u>Year Ending March 31,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2025	\$ 281,361	\$ 13,944
2026	284,584	6,234
2027	287,807	4,786
2028	218,071	4,786
Thereafter	-	-
Total Lease Payments	<u>1,071,823</u>	<u>29,750</u>
Less: Interest	<u>(48,488)</u>	<u>(1,666)</u>
Present Value of Lease Liabilities	<u>\$ 1,023,335</u>	<u>\$ 28,084</u>

For the year ended March 31, 2024, total rent expense was \$96,408.

NOTE 11 CONCENTRATIONS

Propel obtained 28% of its gifts and grant revenue from 2 funders and 66% of accounts and grants receivable from 2 funders for the year ended March 31, 2024. Propel obtained 30% of its gifts and grant revenue from 2 funders and 59% of accounts and grants receivable from 3 funders for the year ended March 31, 2023.

NOTE 12 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, Propel has outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not included in the accompanying financial statements. Propel's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual or notional amount of those instruments. Propel uses the same credit policies in making such commitments as it does for instruments that are included in the statements of financial condition. At March 31, 2024 and 2023, unfunded commitments under lines of credit was \$3,313,029 and \$1,273,173, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Propel evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by Propel upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties.

**PROPEL NONPROFITS
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2024**

	Without Donor Restrictions				With Donor Restrictions				Total
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	
ASSETS									
CURRENT ASSETS									
Cash and Equivalents	\$ 2,187,752	\$ 9,251,767	\$ 343,235	\$ 11,782,754	\$ 1,335,296	\$ -	\$ 170,510	\$ 1,505,806	\$ 13,288,560
Certificates of Deposit	106,903	-	-	106,903	-	-	-	-	106,903
Accounts Receivable and Grant Receivables, Net of Allowance of \$8,022	511,397	-	-	511,397	730,000	-	315,998	1,045,998	1,557,395
Loans Receivable, Net of Allowance of \$334,096	-	13,924,967	-	13,924,967	-	-	-	-	13,924,967
Loan Interest Receivable	146,386	-	-	146,386	-	-	-	-	146,386
Other Receivables	26,683	100	-	26,783	-	-	-	-	26,783
Prepays	139,435	-	-	139,435	-	-	-	-	139,435
Total Current Assets	<u>3,118,556</u>	<u>23,176,834</u>	<u>343,235</u>	<u>26,638,625</u>	<u>2,065,296</u>	<u>-</u>	<u>486,508</u>	<u>2,551,804</u>	<u>29,190,429</u>
NONCURRENT ASSETS									
Loans Receivable, Net of Allowance of \$1,425,897	-	19,509,917	-	19,509,917	-	-	-	-	19,509,917
Fixed Assets, Net of Depreciation	393,445	-	-	393,445	-	-	-	-	393,445
ROU Asset, Net of Amortization	838,088	-	-	838,088	-	-	-	-	838,088
Total Noncurrent Assets	<u>1,231,533</u>	<u>19,509,917</u>	<u>-</u>	<u>20,741,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,741,450</u>
Total Assets	<u>\$ 4,350,089</u>	<u>\$ 42,686,751</u>	<u>\$ 343,235</u>	<u>\$ 47,380,075</u>	<u>\$ 2,065,296</u>	<u>\$ -</u>	<u>\$ 486,508</u>	<u>\$ 2,551,804</u>	<u>\$ 49,931,879</u>

PROPEL NONPROFITS
SCHEDULE OF FINANCIAL POSITION BY FUND (CONTINUED)
MARCH 31, 2024

	Without Donor Restrictions				With Donor Restrictions				
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current Portion of Notes Payable	\$ -	\$ 8,423,990	\$ -	\$ 8,423,990	\$ -	\$ -	\$ -	\$ -	\$ 8,423,990
Accounts Payable and Accrued Expenses	743,529	5,430	-	748,959	-	-	-	-	748,959
Current Portion of ROU Lease Liability	271,907	-	-	271,907	-	-	-	-	271,907
Interest Payable	91,367	-	-	91,367	-	-	-	-	91,367
Deferred Revenue - Current	809,084	1,500,000	-	2,309,084	-	-	-	-	2,309,084
Reserve for Unfunded Commitments - Current	-	30,329	-	30,329	-	-	-	-	30,329
Loan Receivable Forgiveness	-	654,375	-	654,375	-	-	-	-	654,375
Fund Managed for Fiscally-Sponsored Clients	-	-	343,235	343,235	-	-	-	-	343,235
Total Current Liabilities	<u>1,915,887</u>	<u>10,614,124</u>	<u>343,235</u>	<u>12,873,246</u>	-	-	-	-	<u>12,873,246</u>
LONG-TERM LIABILITIES									
Notes Payable	-	16,945,807	-	16,945,807	-	-	-	-	16,945,807
Deferred Revenue - Long Term	-	2,659,794	-	2,659,794	-	-	-	-	2,659,794
ROU Lease Liability	<u>779,512</u>	-	-	<u>779,512</u>	-	-	-	-	<u>779,512</u>
Total Long-Term Liabilities	<u>779,512</u>	<u>19,605,601</u>	-	<u>20,385,113</u>	-	-	-	-	<u>20,385,113</u>
Total Liabilities	2,695,399	30,219,725	343,235	33,258,359	-	-	-	-	33,258,359
NET ASSETS									
Without Donor Restrictions	1,654,690	12,467,026	-	14,121,716	-	-	-	-	14,121,716
With Donor Restrictions	-	-	-	-	<u>2,065,296</u>	-	<u>486,508</u>	<u>2,551,804</u>	<u>2,551,804</u>
Total Net Assets	<u>1,654,690</u>	<u>12,467,026</u>	-	<u>14,121,716</u>	<u>2,065,296</u>	-	<u>486,508</u>	<u>2,551,804</u>	<u>16,673,520</u>
Total Liabilities and Net Assets	<u>\$ 4,350,089</u>	<u>\$ 42,686,751</u>	<u>\$ 343,235</u>	<u>\$ 47,380,075</u>	<u>\$ 2,065,296</u>	<u>\$ -</u>	<u>\$ 486,508</u>	<u>\$ 2,551,804</u>	<u>\$ 49,931,879</u>

**PROPEL NONPROFITS
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED MARCH 31, 2024**

	Without Donor Restrictions				With Donor Restrictions				Total
	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	Program and Operations	Loan Fund	Fiscal Sponsorship Fund	Total	
REVENUES									
Gifts and Grants	\$ 2,375,215	\$ 540,000	\$ 1,007,971	\$ 3,923,186	\$ 962,651	\$ -	\$ 474,787	\$ 1,437,438	\$ 5,360,624
Loan Interest Income	1,716,491	-	-	1,716,491	-	-	-	-	1,716,491
Loan Fee Revenue	83,439	-	-	83,439	-	-	-	-	83,439
Program Revenue	959,619	-	-	959,619	-	-	-	-	959,619
Investment Income	515,028	-	-	515,028	-	-	-	-	515,028
Other Income	600,000	(600,000)	-	-	-	-	-	-	-
Net Assets Released from Restrictions	3,639,924	-	288,279	3,928,203	(3,639,924)	-	(288,279)	(3,928,203)	-
Total Revenues	9,889,716	(60,000)	1,296,250	11,125,966	(2,677,273)	-	186,508	(2,490,765)	8,635,201
EXPENSES									
Program Services:									
Training, Guidance, and Knowledge Sharing	912,822	-	-	912,822	-	-	-	-	912,822
Capacity Building Initiatives	3,162,035	-	-	3,162,035	-	-	-	-	3,162,035
Lending	1,912,784	-	-	1,912,784	-	-	-	-	1,912,784
Strategic Services	787,133	-	-	787,133	-	-	-	-	787,133
Accounting and Finance Services	236,797	-	-	236,797	-	-	-	-	236,797
Fiscal Sponsorship and Incorporation Services	337,381	-	1,296,250	1,633,631	-	-	-	-	1,633,631
Total Program Services	7,348,952	-	1,296,250	8,645,202	-	-	-	-	8,645,202
Core Mission Support: Management and General	1,267,524	-	-	1,267,524	-	-	-	-	1,267,524
Core Mission Support: Fundraising	275,990	-	-	275,990	-	-	-	-	275,990
Total Expenses	8,892,466	-	1,296,250	10,188,716	-	-	-	-	10,188,716
CHANGE IN NET ASSETS	997,250	(60,000)	-	937,250	(2,677,273)	-	186,508	(2,490,765)	(1,553,515)
Net Assets - Beginning of Year	657,440	12,527,026	-	13,184,466	4,742,569	-	300,000	5,042,569	18,227,035
NET ASSETS - END OF YEAR	\$ 1,654,690	\$ 12,467,026	\$ -	\$ 14,121,716	\$ 2,065,296	\$ -	\$ 486,508	\$ 2,551,804	\$ 16,673,520



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