

CREDIT BUILDERS ALLIANCE  
AND SUBSIDIARY

WASHINGTON, DC

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CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

**KENDALL, PREBOLA AND JONES**

Certified Public Accountants

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
Credit Builders Alliance and Subsidiary  
1701 K Street, NW, Suite 1000  
Washington, DC 20006

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Credit Builders Alliance (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

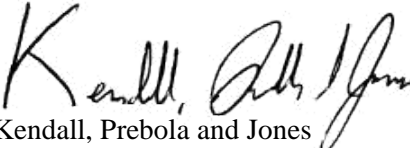
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Credit Builders Alliance and Subsidiary as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
June 22, 2020

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2019

ASSETS

<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 1,151,219
Accounts and Grants Receivable	47,858
Promises Receivable	31,400
Prepaid Expenses	<u>73,325</u>
Total Current Assets	<u>\$ 1,303,802</u>
<u>Fixed Assets:</u>	
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 33,089</u>
Total Fixed Assets	<u>\$ 33,089</u>
<u>Non-Current Assets:</u>	
Security and Other Deposits	\$ 8,939
Program Loans Receivable, Net	<u>204,250</u>
Total Non-Current Assets	<u>\$ 213,189</u>
TOTAL ASSETS	<u>\$ 1,550,080</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>	
Accounts Payable	\$ 14,860
Accrued Salaries	31,174
Accrued Annual Leave	44,746
Payroll Withholdings and Related Liabilities	5,578
Deferred Revenue	216,453
Current Portion Loan Payable	<u>12,920</u>
Total Current Liabilities	<u>\$ 325,731</u>
<u>Long-Term Liabilities:</u>	
Loan Payable	\$ 116,513
Less: Current Portion Loan Payable	(12,920)
Deferred Rent Abatement	<u>1,337</u>
Total Long-Term Liabilities	<u>\$ 104,930</u>
Total Liabilities	<u>\$ 430,661</u>
<u>Net Assets:</u>	
Without Donor Restrictions	\$ 485,659
With Donor Restrictions	<u>633,760</u>
Total Net Assets	<u>\$ 1,119,419</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,550,080</u>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>			
Contributions and Grants:			
Grants - Foundations and Corporations	\$ 26,035	\$ 1,160,500	\$ 1,186,535
Grants and Contributions - Government Contributions	281,332	-	281,332
Contributions	7,793	-	7,793
Donated Services and Materials	<u>98,015</u>	<u>-</u>	<u>98,015</u>
 Total Contributions and Grants	 \$ 413,175	 \$ 1,160,500	 \$ 1,573,675
 Program Service Fee Revenue	 479,639	 -	 479,639
Program Consulting Revenue	347,198	-	347,198
Loan Origination Fees	1,700	-	1,700
Interest Revenue	11,565	-	11,565
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>1,015,879</u>	<u>(1,015,879)</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 <u>\$ 2,269,156</u>	 <u>\$ 144,621</u>	 <u>\$ 2,413,777</u>
<u>Expenses:</u>			
Innovations	\$ 613,216	\$ -	\$ 613,216
Bureau Services	446,681	-	446,681
Training Institute	317,445	-	317,445
Member and Stakeholder Relations	173,885	-	173,885
Symposium	165,095	-	165,095
Rent Reporter	682	-	682
CBA Fund	89,883	-	89,883
General and Administrative	506,280	-	506,280
Fund Development	<u>129,864</u>	<u>-</u>	<u>129,864</u>
 Total Expenses	 <u>\$ 2,443,031</u>	 <u>\$ -</u>	 <u>\$ 2,443,031</u>
 Changes in Net Assets	 \$ (173,875)	 \$ 144,621	 \$ (29,254)
Net Assets at Beginning of Year	<u>659,534</u>	<u>489,139</u>	<u>1,148,673</u>
 Net Assets at End of Year	 <u>\$ 485,659</u>	 <u>\$ 633,760</u>	 <u>\$ 1,119,419</u>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Supporting Services</u>				<u>Program Services</u>							
	<u>Total</u>	<u>Total Supporting Services</u>	<u>Fund Development</u>	<u>General and Administrative</u>	<u>Total Program Services</u>	<u>Innovations</u>	<u>Bureau Services</u>	<u>Training Institute</u>	<u>Member and Stakeholder Relations</u>	<u>Symposium</u>	<u>Rent Reporter</u>	<u>CBA Fund</u>
<u>Expenses:</u>												
Salaries and Wages	\$ 1,167,783	\$ 333,112	\$ 95,784	\$ 237,328	\$ 834,671	\$ 284,140	\$ 257,540	\$ 127,018	\$ 97,655	\$ 23,608	\$ -	\$ 44,710
Payroll Taxes and Employee Benefits	202,924	32,348	17,310	15,038	170,576	45,183	53,786	32,438	27,956	7,288	-	3,925
Accounting and Legal	91,594	91,579	-	91,579	15	-	15	-	-	-	-	-
Board Expenses	2,968	2,968	-	2,968	-	-	-	-	-	-	-	-
Conferences and Trainings	15,811	7,000	-	7,000	8,811	525	6,291	-	1,500	-	495	-
Subgrants	140,943	-	-	-	140,943	94,000	36,000	11,443	(500)	-	-	-
Scholarships	81,990	-	-	-	81,990	16,980	6,000	59,010	-	-	-	-
Consulting Fees	213,059	43,054	5,632	37,422	170,005	99,379	11,997	20,410	7,021	11,303	-	19,895
Insurance	12,586	3,576	547	3,029	9,010	1,644	2,530	2,239	2,049	548	-	-
Occupancy	119,312	20,245	6,097	14,148	99,067	31,834	28,021	16,201	12,871	3,687	-	6,453
Postage and Delivery	2,467	778	190	588	1,689	-	-	683	134	872	-	-
Printing	14,603	120	-	120	14,483	3,804	1,885	6,089	554	2,151	-	-
Promotion	4,111	2,985	66	2,919	1,126	265	297	265	233	66	-	-
Supplies	103,634	13,960	111	13,849	89,674	5,518	3,373	7,235	506	72,712	-	330
Telephone and Internet	20,844	11,121	626	10,495	9,723	1,646	2,071	1,896	2,413	574	-	1,123
Travel	95,765	11,988	(92)	12,080	83,777	22,492	24,132	18,381	2,842	13,682	187	2,061
Website and Technology	89,423	17,725	3,593	14,132	71,698	5,806	11,122	14,137	11,166	27,331	-	2,136
Depreciation and Amortization	14,910	14,910	-	14,910	-	-	-	-	-	-	-	-
Bad Debt Expense	12,265	-	-	-	12,265	-	1,621	-	1,394	-	-	9,250
Licenses and Fees	34,685	27,321	-	27,321	7,364	-	-	-	6,091	1,273	-	-
Interest	1,354	1,354	-	1,354	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 2,443,031</b>	<b>\$ 636,144</b>	<b>\$ 129,864</b>	<b>\$ 506,280</b>	<b>\$ 1,806,887</b>	<b>\$ 613,216</b>	<b>\$ 446,681</b>	<b>\$ 317,445</b>	<b>\$ 173,885</b>	<b>\$ 165,095</b>	<b>\$ 682</b>	<b>\$ 89,883</b>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Cash Flows from Operating Activities:</u>	
Changes in Net Assets	\$ (29,254)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation and Amortization	14,910
Bad Debt Expense	12,265
Accounts and Grants Receivable - (Increase)/Decrease	166,624
Promises Receivable - (Increase)/Decrease	148,600
Prepaid Expenses - (Increase)/Decrease	(13,753)
Program Loans Receivable - (Increase)/Decrease	(175,750)
Accounts Payable - Increase/(Decrease)	3,201
Income Taxes Payable - Increase/(Decrease)	(621)
Accrued Salaries - Increase/(Decrease)	31,174
Accrued Annual Leave - Increase/(Decrease)	18,090
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	(5,451)
Deferred Revenues - Increase/(Decrease)	(43,765)
Deferred Rent Abatement - Increase/(Decrease)	<u>(13,572)</u>
Net Cash Flows from Operating Activities	<u>\$ 112,698</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Fixed Assets	<u>\$ (27,590)</u>
Net Cash Flows from Investing Activities	<u>\$ (27,590)</u>
<u>Cash Flows from Financing Activities:</u>	
Proceeds from Loans	\$ 75,000
Principal payments on Loan	<u>(6,805)</u>
Net Cash Flows from Financing Activities	<u>\$ 68,195</u>
Net Increase in Cash and Cash Equivalents	\$ 153,303
Cash and Cash Equivalents, Beginning of Year	<u>997,916</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,151,219</u>

Supplemental Disclosures:

- a) No income taxes were paid during the year ended December 31, 2019.
- b) A total of \$799 of interest was paid during the year ended December 31, 2019.

(See Accompanying Notes and Auditor's Report)



CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Credit Builders Alliance (CBA) was created in 2006 to fill a critical gap in the delivery of nonprofit financial services - the ability for nonprofits to report monthly payments to help financially underserved consumers and entrepreneurs build credit histories. Credit Builders Alliance created CBA Fund in 2018. CBA Fund is a Community Development Financial Institution (CDFI) intermediary dedicated to supporting nonprofit lenders that offer small dollar consumer loans to underserved borrowers. CBA is the sole member of CBA Fund. All transactions of CBA Fund are consolidated with the transactions of the Credit Builders Alliance in the accompanying consolidated financial statements. CBA's mission is to help organizations move people from poverty to prosperity through credit building. We do this by building the capacity of our nonprofit and municipal members to implement strategies necessary to help their clients build credit and enter the financial mainstream. CBA fills a void by being a bridge for credit building activities for non-traditional financial service providers. Our activities fall along a continuum, which allows CBA to meet our members' needs at wherever point they may be in the credit building process. In 2019, CBA reimaged our restructured our workflow to better support our powerful network of over 550 member organizations by offering streamlined intakes, bureau services onboarding and support, as well as enhanced online access to tools, resources and training.

To effect this change, CBA collapsed its Membership and Training and Consulting departments into one Core Services Platform division. This division includes the work that CBA conducts for all members as well as those evolving partnerships with other stakeholders. CBA carved out a new member and stakeholder relations team, decoupled from our bureau services team, and folded our training and consulting work under our Training Institute. CBA also renamed its work on Research and Pilots to "Innovations" - as a separate but connected department that covers work that we have already been doing and adds new projects that we are looking to pursue. Below are more details on the accomplishments of these reorganized departments.

**Basic Programs**

**1. Core Platform Services: Member and Stakeholder Relations, Credit Bureau Services, and Training Institute**

**A. Member and Stakeholder Relations**

In 2019 our new Member and Stakeholder Relations team supported the onboarding of 70 new members and created systems for handling current member issues effectively and efficiently. This team provided better, more streamlined prospective member outreach and relationship cultivation through conferences and other outlets, managed CBA's communications and marketing efforts, including efforts to restructure the way CBA packages and prices its valuable services. Today, CBA has 554 members.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

**Basic Programs** (Continued)

**1. Core Platform Services: Member and Stakeholder Relations, Credit Bureau Services, and Training Institute** (Continued)

**B. Bureau Services**

- i. CBA Reporter is an award-winning, one of a kind service that offers nonprofit and municipal lenders the technical assistance, concrete solutions, and interagency connections they need to effectively and efficiently help their low- and moderate-income clients build credit and long-term financial capability by reporting their low- and moderate-income borrowers' monthly microenterprise, small business, and consumer loan payments to the major consumer credit bureaus Experian, TransUnion, and Equifax. CBA offers a streamlined on-boarding process for guiding lender members through the credit bureau credentialing process in order to report their loans and supports the regular transmission of that loan repayment data. CBA provides ongoing and on-demand technical assistance to member lenders, reviews Metro2 data for accuracy, and monitors their borrowers' eOSCAR™ disputes. Today, CBA Reporter enables 216 nonprofit lenders to report over 69,692 trade lines every month, totaling \$2.1 billion in credit extended to their respective borrowers to start a business, meet a household need, and/or simply build positive personal and business credit history.
- ii. CBA Business Reporter is an add-on service that enables member lenders to report their borrowers' monthly microenterprise or small business loan payments to the commercial credit bureaus Experian Business Information Solutions and Dun & Bradstreet in order to build their business credit profiles.
- iii. CBA Access enables nonprofits to pull and purchase credit reports and credit scores from the major credit bureaus TransUnion and Experian, and in 2018 expanded this service to include access to reports produced by LexisNexis (for access to non-traditional and alternative credit data), Nova Credit (for access to overseas credit data), and ChexSystems (for those working with the unbanked). CBA Access offers qualified members access to these reports at pooled prices in order to underwrite loans, provide financial counseling and credit coaching, and -- with some contractual restrictions -- track the credit improvement outcomes of clients. Similar to CBA Reporter, CBA implements a streamlined on-boarding process to guide nonprofits through the credit bureau credentialing process in order to access their clients' consumer credit reports. CBA also offers on-demand technical assistance and support to nonprofits around general credit report reviews and codes, credit report score intricacies and other information relevant to members and their clients around credit reports and scores. Today, CBA Access enables 319 nonprofits engaged in lending and/or financial education to get credentialed to pull approximately 11,098 credit reports from TransUnion and Experian a month. Fewer than a dozen nonprofits are accessing new reports offered by LexisNexis, ChexSystems and Nova Credit, but this number is expected to grow in 2020.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

**Basic Programs** (Continued)

**1. Core Platform Services: Member and Stakeholder Relations, Credit Bureau Services, and Training Institute** (Continued)

**C. Training Institute**

- i. CBA's signature *Credit as an Asset* training has been offered since 2008 to approximately 5700 nonprofit lender practitioners, financial coaches and educators, social service providers and others working directly with consumers and entrepreneurs to promote financial stability and inclusion. The training aims to help participants:
  - Understand credit building as an essential and viable activity, foundational to the successful implementation of any financial asset building strategy for low-income and underserved individuals and families;
  - Explore tools and develop skills in order to design, implement, and measure credit building programs based on client needs and goals as well as organization missions and capacities; and
  - Engage with other training participants and learn from CBA's growing Credit Building Community about best practices in credit education, access to responsible financial products, and measuring and communicating client credit outcomes.

In 2018, CBA expanded these offerings through its new Training Institute e-learning platform and Credit as an Asset Master Trainer Certification program. Today, 887 practitioners are registered users of the Training Institute, and 47 are certified to deliver *Credit as an Asset* training to other practitioners in their local communities.

In 2019, CBA also rolled out its six-part virtual webinar series for those who cannot attend a full-day training in person, reaching hundreds. CBA also now offers in-person and virtual trainings can be adapted upon request for members and non-members seeking to enhance their understanding of credit building for a specific sector or target market.

- ii. Under the umbrella of the Training Institute, CBA offers targeted credit building program design, implementation, and measurement consulting to member and nonmember nonprofits and public entities seeking to develop or enhance their credit building efforts based on their respective clients' needs and goals as well as organizational missions and capacities. In 2019 CBA managed nineteen consulting contracts to bring its credit building expertise, industry connections, and credibility to organizations interested in investing in their credit building capacity.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

**Basic Programs** (Continued)

2. **Innovations**

CBA incubates a number of emerging and innovative credit building initiatives that advance its theory of change: Building credit is part of the asset building pathway to improved financial stability and mission driven nonprofits are uniquely positioned to help the low-income households they serve build credit *as an asset*. In 2019 in particular, CBA:

**A. Catalyzed Municipal Credit Building**

CBA released a Community Credit Building Initiative Planning Guide to assist municipalities interested in replicating the Boston Builds Credit (BBC) model to improve credit outcomes at the population level. We also helped facilitate four community credit conversations in St. Louis, MO; Atlanta, GA; Shawnee, OK; and Klamath Falls, OR, in collaboration with the Consumer Financial Protection Bureau (CFPB). The Guide and conversations were designed to explore what it might look like to spur citywide credit building initiatives that fit the strengths and challenges of different communities.

**B. Rent Reporting for Credit Building**

In 2015, CBA formally rolled out its rent reporting for credit building service upon successful completion of a pilot focused on helping affordable and public housing providers report their residents' rental payments as a credit building strategy. In 2019, CBA created a preferred arrangement with a FinTech company, Esusu Financial, to better support these housing providers to develop and implement rent reporting initiatives through the provision of training, technical assistance, and Esusu Rent Reporter - a turnkey platform for reporting rental payments to the credit bureaus. Today, CBA and Esusu are supporting thirteen housing providers reporting over 300 rental trade lines.

**C. CBA Symposium**

In 2014, CBA offered its first ever and incredibly powerful Credit Building Symposium. Due to popular demand the Credit Building Symposium has since become an annual event. The symposium is intended to be a dialogue between nonprofit organizations involved in credit building and those corporate entities whose business practices include credit reporting, credit scoring and/or credit granting. CBA's goal is to broker more discussion between these two connected industries with the intent of continuing to bridge gaps in understanding and strengthening bonds in the credit reporting arena. An overarching theme for the symposium every year is the linkage between the work being done in the credit building field and that of the broader issues of income inequality, poverty reduction, and asset building. The Symposium also offers our members and other credit building industry stakeholders a great opportunity to learn and build relationships. In 2019, CBA's Credit Building Symposium was the largest ever with almost 250 participants in attendance.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Credit Builders Alliance and CBA Fund are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Credit Builders Alliance and CBA Fund, collectively referred to as Credit Builders Alliance and Subsidiary. All significant intercompany transactions have been eliminated in consolidation.

(c) Revenue Recognition:

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Fees for Service**

Fees for service consist of exchange transactions such as CBA Access fees, CBA Reporter fees, training and consulting fees. Such fees are recognized as revenue at the time the services are provided. Payment for such services received in advance is recognized as a deferred revenue until such time as the revenue is earned.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Corporate Taxes:

The Credit Builders Alliance is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Organization effective September 11, 2006. Credit Builders Alliance has been classified as other than a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

CBA Fund is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. CBA Fund has been classified as other than a private foundation and, accordingly, contributions to the Organization qualify as a charitable tax deduction by the contributor under Section 170(b)(1)(A)(vi).

The Organization did not have any net unrelated business income for the year ended December 31, 2019.

(e) Government Grants:

The Organization receives grants from federal governmental agencies for the purpose of providing a social benefit to the general public. Government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the Organization to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivables are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended as of year-end are reflected as a refundable advance.

(f) Net Assets:

The Organization reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Organization's purpose, 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 that are entered into in the course of its operations.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Net Assets: (Continued)

**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 whereby 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 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 the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following programs:

	2019
Training Institute	\$ 259,455
Innovations	242,238
Symposium	77,500
CBA Fund	40,000
Fund Development	12,567
Bureau Services	2,000
Total Net Assets with Donor Restrictions	\$ 633,760

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events specified by donors for the following programs:

	2019
Innovations	\$ 539,445
Symposium	172,487
Training Institute	116,644
CBA Fund	95,000
Fund Development	49,933
Bureau Services	42,370
Total Released from Restrictions	\$ 1,015,879

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Organization's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the consolidated statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received, except for donated equipment, which is recorded as revenue in the period received, and the asset is depreciated over its estimated useful life.

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>2019</u>
Strategic Consulting	\$ 48,750
Software Licenses	26,862
Legal Services	14,903
Registrations	<u>7,500</u>
Total	<u>\$ 98,015</u>

(h) Functional Expense Allocation Policies and Procedures:

The consolidated statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill its mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Personnel expenses for salaries, payroll taxes, and employee benefit plans are allocated to various programs and supporting services based on time employees spend on each function.



CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from these estimates.

(j) Fair Value of Certain Financial Instruments:

Some of the Organization's financial instruments are not measured at fair value on a recurring basis but, nevertheless, are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, grants receivable, prepaid expenses, accounts payable, deferred revenues, and accrued expenses.

(k) Change in Accounting Principles:

The Organization implemented Financial Accounting Standard Board (FASB) ASU No. 2018-18 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities.

The changes had no effect on net assets at January 1, 2019.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial statement date.

The Organization has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 1,151,219
Accounts and Grants Receivable	47,858
Promises Receivable	<u>31,400</u>
Total Financial Assets	\$ <u>1,230,477</u>
Less Amounts Not Available for General Expenditure Within One Year:	\$ <u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ <u>1,230,477</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

4. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Credit Builders Alliance and CBA Fund performed an evaluation of uncertain tax positions for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2019, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organizations files tax returns. It is the Organizations' policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2019, the Organizations had no accruals for interest and/or penalties.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>2019</u>
Checking Account - Non-Interest Bearing	\$ 141,833
Savings Account - Interest Bearing	<u>1,009,386</u>
Total	<u>\$ 1,151,219</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

Credit Builders Alliance and CBA Fund maintains its cash and cash equivalents in three separate financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total is insured up to \$250,000.

As of December 31, 2019, \$807,115 of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds deposited in excess of FDIC limits may have been greater than at year end. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

6. ACCOUNTS AND PROMISES RECEIVABLE:

**Accounts Receivable**

Accounts receivable as of December 31, 2019, consisted of the following:

	<u>2019</u>
Consulting Fees	\$ 23,805
Program Fees	14,153
Reimbursable Expenses	12,685
Less: Allowance for Doubtful Accounts	<u>(2,785)</u>
Total	<u>\$ 47,858</u>

The Organization's accounts receivable consists of unsecured amounts due from program participants and funding sources whose ability to pay is subject to changes in general economic conditions. The Organization does not require collateral and believes the credit risk related to the balance of accounts receivable as of December 31, 2019, is minimal.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Accounts Receivable** (Continued)

Accounts receivable are stated at the amount management expects to collect from outstanding balances, once the Organization has the unconditional right to receive. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Trade receivables related to program service fees (i.e. contract revenue, publication sales, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when collection efforts have been exhausted.

**Promises Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give. Promises receivable at year end were as follows:

	<u>2019</u>
Symposium	\$ 17,500
Time Restricted	10,000
Unrestricted	<u>3,900</u>
Total	<u>\$ 31,400</u>

The above promises receivable are due to be received in less than one year.

7. PROGRAM LOANS RECEIVABLE:

The Organization offered zero-interest and three percent (3%) interest program-related loans to CBA's nonprofit lender members. These funds allow CBA's nonprofit lender members an opportunity to access the lending capital they need to in turn offer small dollar loan products to their clients. As of December 31, 2019, the Organization has issued eleven loans for a total of \$215,000. Loan repayments are scheduled to begin in 2020. An allowance for doubtful accounts of \$10,750 is reflected in the statement of financial position.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

7. PROGRAM LOANS RECEIVABLE: (Continued)

The loan receivable is due to be received as follows:

<u>Year Ending</u> <u>December 31,</u>	
2020	\$ 52,250
2021	74,401
2022	66,516
2023	<u>11,083</u>
Total	<u>\$ 204,250</u>

8. FIXED ASSETS:

Fixed assets are recorded at cost. Contributed assets are recorded at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 or \$500 for computers results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated using the straight-line method over the estimated useful life of the asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and other resulting gain or loss is reflected in income for the period. Depreciation and amortization expense for the year ended December 31, 2019, was \$14,910. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

	<u>Depreciable</u> <u>Life</u>	<u>2019</u>
Computers and Equipment	3 Years	\$ 38,992
Leasehold Improvements	7 Years	6,012
Website	5 Years	<u>142,063</u>
Total		\$ 187,067
Accumulated Depreciation and Amortization		<u>(153,978)</u>
Net Fixed Assets		<u>\$ 33,089</u>

9. DEFERRED RENT ABATEMENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes a rent abatement period and fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent abatement in the accompanying statement of financial position.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

9. DEFERRED RENT ABATEMENT: (Continued)

The Credit Builders Alliance entered into a lease agreement for the rental of office space located at 1701 K Street, NW, Washington, DC, for a period of 88 months, commencing on October 1, 2012, and expiring on January 31, 2020. As a condition of the lease terms, the first two months of year one and the first two months of year two of rent have been abated. This lease was amended to extend the lease through November 30, 2030. This amendment results in an additional 10 months of rental abatement. Accordingly, future required rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of the unamortized deferred rent abatement at December 31, 2019 was \$1,337.

10. LOAN PAYABLE:

On August 15, 2017, Credit Builders Alliance entered into a loan agreement with the Dakota Foundation for \$50,000. This loan is considered to be unsecured. In May 2018, the loan was transferred to CBA Fund. The Organization is to utilize this program-related loan to seed a small dollar loan technical assistance and loan fund which would offer CBA's nonprofit lender members an opportunity to access the resources they need to offer small dollar loan product to their clients. Lenders will access funding from CBA Fund in order to access capital needed to fund or secure the loans.

Per the terms of this loan, there were no payments required until August 15, 2018, at which time accrued interest in the amount of \$875 was paid. During the remaining four years of the loan, principal and interest payments are due quarterly during November, February, May, and August of each year. This loan is scheduled to mature on August 15, 2022, at which time there is a balloon payment of any remaining outstanding principal and unpaid interest, currently scheduled to be in the amount of \$24,078. Quarterly payments of \$1,901 began on November 15, 2018. This loan bears interest at a rate of 1.75%. The outstanding balance payable at December 31, 2019, was \$41,513. Total interest expense related to this loan for the year ended December 31, 2019, was \$786. Future minimum payments of principal and interest are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,924	\$ 680	\$ 7,604
2021	7,045	558	7,603
2022	<u>27,544</u>	<u>337</u>	<u>27,881</u>
Total	<u>\$ 41,513</u>	<u>\$ 1,575</u>	<u>\$ 43,088</u>

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

10. LOAN PAYABLE: (Continued)

On June 25, 2019, Credit Builders Alliance entered into a loan agreement with the Dakota Foundation for \$75,000. The loan proceeds were transferred to CBA Fund on July 5, 2019. This loan is considered to be unsecured. CBA Fund is to utilize this program-related loan to expand the Small Dollar Loan Technical Assistance and Loan Fund started in 2017, which offers CBA's nonprofit lender members an opportunity to access the resources, including this pool of loan capital, they need to offer credit building small dollar consumer loan products to their clients.

Per the terms of this loan, there are no payments required until June 30, 2020, at which time accrued interest in the amount of \$1,125 will be due. During the remaining six years of the loan, principal and interest payments are due quarterly of each year. This loan is scheduled to mature on June 30, 2026. Quarterly payments of \$3,274 will begin on September 30, 2020. This loan bears interest at a rate of 1.5%. The outstanding balance payable at December 31, 2019, was \$75,000. Total interest expense related to this loan for the year ended December 31, 2019, was \$568. Future minimum payments of principal and interest are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,996	\$ 1,677	\$ 7,673
2021	12,127	968	13,095
2022	12,310	785	13,095
2023	12,496	599	13,095
2024	12,685	410	13,095
Thereafter	<u>19,386</u>	<u>256</u>	<u>19,642</u>
Total	<u>\$ 75,000</u>	<u>\$ 4,695</u>	<u>\$ 79,695</u>

On July 5, 2019, Credit Builders Alliance loaned CBA Fund \$75,000. The purpose of this loan was for CBA Fund to offer CBA nonprofit lender members an opportunity to access the resources they need to offer Small Dollar Loan products to their clients. This loan was funded through a program-related investment agreement dated June 25, 2019, with the Dakota Foundation. Per the terms of this loan, there are no payments required until maturity on June 30, 2026. CBA Fund has the option to repay the loan in full at an earlier date with no penalty. This loan bears no interest. This loan is eliminated in the consolidated financial statements.

<u>CBA</u> <u>Receivable</u>	<u>CBA Fund</u> <u>Payable</u>
<u>\$ 75,000</u>	<u>\$ (75,000)</u>

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS:

**Operating Lease - Washington DC**

The Credit Builders Alliance entered into a lease agreement on August 27, 2012, for the rental of office space located at 1701 K Street, NW, Washington, DC. The lease term commenced on October 1, 2012, and was scheduled to expire on January 31, 2020. Monthly rental payments of \$7,623 began on December 1, 2012, after a two-month abatement period. There is also a two-month rent abatement during the 2013 year. Monthly rental payments as of December 31, 2019, were \$9,376. As a requirement of this lease, a security deposit in the amount of \$7,623 was required to be made.

Credit Builders Alliance signed an amendment to the lease agreement on August 26, 2019, which extended the lease term for ten years and ten months from February 1, 2020 through November 30, 2030. This amendment also increased the rentable square footage. Monthly rental payments of \$17,472 are scheduled to begin on December 1, 2020, after a ten-month abatement period. Rent is scheduled to increase annually. The Organization is responsible for paying their proportionate share of operating costs and real estate taxes. There is an option to renew the lease for one additional period of five years. As of December 31, 2019, future minimum rental obligations required under this lease, net of rent abatement are as follows:

<u>Year Ending December 31,</u>	<u>Rent Obligation</u>	<u>Rent Abatement</u>	<u>Net Obligation</u>
2020	\$ 24,590	\$ 179,589	\$ 204,179
2021	203,600	8,910	212,510
2022	209,199	3,311	212,510
2023	214,952	(2,442)	212,510
2024	220,863	(8,353)	212,510
Thereafter	<u>1,437,031</u>	<u>(179,678)</u>	<u>1,257,353</u>
Total	<u>\$ 2,310,235</u>	<u>\$ 1,337</u>	<u>\$ 2,311,572</u>

Rental expense related to this lease for the year ended December 31, 2019, was \$104,813.

**Operating Lease - Portland OR**

The Credit Builders Alliance entered into a lease agreement for the rental of office space located at 2475 SE Ladd Ave., Portland, Oregon. The lease term commenced on July 1, 2018, and expires on July 1, 2020. Monthly rental payments are \$658 for the first year of the lease, then increase to \$691. As a requirement of this lease, a security deposit in the amount of \$1,316 was required to be made. Rental expense related to this lease for the year ending December 31, 2019, was \$9,976. As of December 31, 2019, future minimum rental obligations required under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Rent Obligation</u>
2020	<u>\$ 4,146</u>
Total	<u>\$ 4,146</u>



CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

12. CONCENTRATIONS:

Based on the nature and purpose of Credit Builders Alliance, significant revenues are received through foundation and corporate grants for the purpose of helping low and moderate income individuals currently served by non-traditional financial and asset building institutions build their credit and access conventional financing. Approximately forty-nine percent (49%) of total support was attributed to foundation and corporate support for the year ended December 31, 2019.

13. CONTINGENCIES:

**Program Support**

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's Board of Directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

**Governmental Grants**

The Organization participates in federal grant programs, which are subject to financial and compliance audits by the granting agencies or their representatives. As such, there exists a contingent liability for potential disallowed claims and questioned costs resulting from such audits. Management does not anticipate any significant adjustments as a result of such an audit.

14. RELATED PARTY TRANSACTIONS:

**Contributions**

Credit Builders Alliance received grants and contributions totaling \$135,400 from four organization for which an employee at each organization was a board member of Credit Builders Alliance.

**Subgrants**

Credit Builders Alliance provided subgrants to two organizations for which CBA Board Members were employed for a total of \$25,000.

**Guarantee of Indebtedness**

Credit Builders Alliances utilizes two credit cards issued by Capital One and Citibusiness for purchases related to the Organization's activity. The credit cards are issued in the name of the Organization with a total credit limit of \$38,000, however the debt is guaranteed by the Executive Director.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

15. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 22, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

**Pandemic**

Subsequent to year end, the Organization has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

**Paycheck Protection Program**

On April 20, 2020, the Organization received loan proceeds in the amount of \$272,612 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of one percent (1%), with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurances can be provided.

**Economic Injury Disaster Loan**

In response to the Coronavirus (COVID-19) pandemic, certain organizations were able to apply for an Economic Injury Disaster Loan (EIDL). This loan program is designed to provide economic relief to organizations that are currently experiencing a temporary loss of revenue. CBA received an EIDL loan in the amount of \$150,000 on May 21, 2020. This loan is for a period of thirty years at an interest rate of 2.75%. Monthly payments of \$641 are scheduled to begin in May 2021.

16. FUNDRAISING EXPENSE:

Expenses for the purpose of fundraising in the amount of \$129,864 were incurred during the year ended December 31, 2019.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS

17. RETIREMENT PLAN:

Credit Builders Alliance provides pension benefits for its employees through a defined contribution 403(b) retirement plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. The Organization contributes on a matching basis up to 3% of an employee's gross salary to the plan. There is no unfunded past service liability. The expense related to this plan for the year ended December 31, 2019, was \$29,842.

18. EMPLOYEE BENEFITS:

The cost of employee benefits incurred for the year ended December 31, 2019, consisted of the following:

	<u>2019</u>
Social Security/Medicare	\$ 82,297
Health Insurance	72,192
Retirement	29,842
Workmen's Compensation Insurance	2,617
Unemployment	11,599
Long Term Disability	<u>4,377</u>
Total	<u>\$ 202,924</u>

**Flexible Benefits Plan**

Credit Builders Alliance adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax-benefit dollars through payroll deduction to pay for health, dental and vision insurance premiums, unreimbursed medical expenses and dependent care expenses.

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>ASSETS</u>	<u>Credit Builders Alliance</u>	<u>CBA Fund</u>	<u>Eliminations</u>	<u>Total</u>
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 1,107,109	\$ 44,110	\$ -	\$ 1,151,219
Accounts and Grants Receivable	47,858	-	-	47,858
Promises Receivable	20,900	10,500	-	31,400
Prepaid Expenses	<u>72,457</u>	<u>868</u>	<u>-</u>	<u>73,325</u>
Total Current Assets	<u>\$ 1,248,324</u>	<u>\$ 55,478</u>	<u>\$ -</u>	<u>\$ 1,303,802</u>
<u>Fixed Assets:</u>				
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 33,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,089</u>
Total Fixed Assets	<u>\$ 33,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,089</u>
<u>Non-Current Assets:</u>				
Security and Other Deposits	\$ 8,939	\$ -	\$ -	\$ 8,939
Program Loans Receivable, Net	75,000	204,250	(75,000)	204,250
Due from CBA Fund	<u>71,367</u>	<u>-</u>	<u>(71,367)</u>	<u>-</u>
Total Non-Current Assets	<u>\$ 155,306</u>	<u>\$ 204,250</u>	<u>\$ (146,367)</u>	<u>\$ 213,189</u>
TOTAL ASSETS	<u>\$ 1,436,719</u>	<u>\$ 259,728</u>	<u>\$ (146,367)</u>	<u>\$ 1,550,080</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 14,764	\$ 96	\$ -	\$ 14,860
Accrued Salaries	31,174	-	-	31,174
Accrued Annual Leave	44,746	-	-	44,746
Payroll Withholdings and Related Liabilities	5,578	-	-	5,578
Deferred Revenue	196,833	19,620	-	216,453
Due to CBA	-	71,367	(71,367)	-
Current Portion Loan Payable	<u>5,996</u>	<u>6,924</u>	<u>-</u>	<u>12,920</u>
Total Current Liabilities	<u>\$ 299,091</u>	<u>\$ 98,007</u>	<u>\$ (71,367)</u>	<u>\$ 325,731</u>
<u>Long-Term Liabilities:</u>				
Loan Payable	\$ 75,000	\$ 116,513	\$ (75,000)	\$ 116,513
Less: Current Portion Loan Payable	(5,996)	(6,924)	-	(12,920)
Deferred Rent Abatement	<u>1,337</u>	<u>-</u>	<u>-</u>	<u>1,337</u>
Total Long-Term Liabilities	<u>\$ 70,341</u>	<u>\$ 109,589</u>	<u>\$ (75,000)</u>	<u>\$ 104,930</u>
Total Liabilities	<u>\$ 369,432</u>	<u>\$ 207,596</u>	<u>\$ (146,367)</u>	<u>\$ 430,661</u>
<u>Net Assets:</u>				
Without Donor Restrictions	\$ 473,527	\$ 12,132	\$ -	\$ 485,659
With Donor Restrictions	<u>593,760</u>	<u>40,000</u>	<u>-</u>	<u>633,760</u>
Total Net Assets	<u>\$ 1,067,287</u>	<u>\$ 52,132</u>	<u>\$ -</u>	<u>\$ 1,119,419</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,436,719</u>	<u>\$ 259,728</u>	<u>\$ (146,367)</u>	<u>\$ 1,550,080</u>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Credit Builders Alliance			CBA Fund			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
<u>Revenues, Gains and Other Support:</u>								
Contributions and Grants:								
Grants - Foundations and Corporations	\$ 26,035	\$ 1,150,500	\$ 1,176,535	\$ 493	\$ 135,000	\$ 135,493	\$ (125,493)	\$ 1,186,535
Grants and Contributions - Government	210,274	-	210,274	71,058	-	71,058	-	281,332
Contributions	10,543	-	10,543	1,000	-	1,000	(3,750)	7,793
Donated Services and Materials	<u>98,015</u>	<u>-</u>	<u>98,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,015</u>
Total Contributions and Grants	\$ 344,867	\$ 1,150,500	\$ 1,495,367	\$ 72,551	\$ 135,000	\$ 207,551	\$ (129,243)	\$ 1,573,675
Program Service Fee Revenue	479,639	-	479,639	-	-	-	-	479,639
Program Consulting Revenue	347,198	-	347,198	-	-	-	-	347,198
Loan Origination Fees	-	-	-	1,700	-	1,700	-	1,700
Interest Revenue	11,217	-	11,217	348	-	348	-	11,565
Net Assets Released from Restrictions								
- Satisfaction of Program Restrictions	<u>1,045,879</u>	<u>(1,045,879)</u>	<u>-</u>	<u>95,000</u>	<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	\$ 2,228,800	\$ 104,621	\$ 2,333,421	\$ 169,599	\$ 40,000	\$ 209,599	\$ (129,243)	\$ 2,413,777
<u>Expenses:</u>								
Innovations	\$ 738,709	\$ -	\$ 738,709	\$ -	\$ -	\$ -	\$ (125,493)	\$ 613,216
Bureau Services	446,681	-	446,681	-	-	-	-	446,681
Training Institute	317,445	-	317,445	-	-	-	-	317,445
Member and Stakeholder Relations	173,885	-	173,885	-	-	-	-	173,885
Symposium	165,095	-	165,095	-	-	-	-	165,095
Rent Reporter	682	-	682	-	-	-	-	682
CBA Fund	-	-	-	89,883	-	89,883	-	89,883
General and Administrative	447,934	-	447,934	62,096	-	62,096	(3,750)	506,280
Fund Development	<u>129,330</u>	<u>-</u>	<u>129,330</u>	<u>534</u>	<u>-</u>	<u>534</u>	<u>-</u>	<u>129,864</u>
Total Expenses	\$ 2,419,761	\$ -	\$ 2,419,761	\$ 152,513	\$ -	\$ 152,513	\$ (129,243)	\$ 2,443,031
Changes in Net Assets	\$ (190,961)	\$ 104,621	\$ (86,340)	\$ 17,086	\$ 40,000	\$ 57,086	\$ -	\$ (29,254)
Net Assets at Beginning of Year	<u>664,488</u>	<u>489,139</u>	<u>1,153,627</u>	<u>(4,954)</u>	<u>-</u>	<u>(4,954)</u>	<u>-</u>	<u>1,148,673</u>
Net Assets at End of Year	\$ <u>473,527</u>	\$ <u>593,760</u>	\$ <u>1,067,287</u>	\$ <u>12,132</u>	\$ <u>40,000</u>	\$ <u>52,132</u>	\$ <u>-</u>	\$ <u>1,119,419</u>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Credit Builders Alliance	CBA Fund	Eliminations	Total
<u>Cash Flows from Operating Activities:</u>				
Changes in Net Assets	\$ (86,340)	\$ 57,086	\$ -	\$ (29,254)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	14,910	-	-	14,910
Bad Debt Expense	3,015	9,250	-	12,265
Accounts and Grants Receivable - (Increase)/Decrease	149,614	17,010	-	166,624
Promises Receivable - (Increase)/Decrease	159,100	(10,500)	-	148,600
Prepaid Expenses - (Increase)/Decrease	(12,885)	(868)	-	(13,753)
Program Loans Receivable - (Increase)/Decrease	(75,000)	(175,750)	75,000	(175,750)
Due from CBA Fund - (Increase)/Decrease	(42,219)	-	42,219	-
Accounts Payable - Increase/(Decrease)	3,214	(13)	-	3,201
Income Taxes Payable - Increase/(Decrease)	(621)	-	-	(621)
Accrued Salaries - Increase/(Decrease)	31,174	-	-	31,174
Accrued Annual Leave - Increase/(Decrease)	18,090	-	-	18,090
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	(5,451)	-	-	(5,451)
Deferred Revenues - Increase/(Decrease)	(63,385)	19,620	-	(43,765)
Due to CBA - Increase/(Decrease)	-	42,219	(42,219)	-
Deferred Rent Abatement - Increase/(Decrease)	<u>(13,572)</u>	<u>-</u>	<u>-</u>	<u>(13,572)</u>
Net Cash Flows from Operating Activities	<u>\$ 79,644</u>	<u>\$ (41,946)</u>	<u>\$ 75,000</u>	<u>\$ 112,698</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Fixed Assets	<u>\$ (27,590)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,590)</u>
Net Cash Flows from Investing Activities	<u>\$ (27,590)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,590)</u>
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Loans	\$ 75,000	\$ 75,000	\$ (75,000)	\$ 75,000
Principal Payments on Loan	<u>-</u>	<u>(6,805)</u>	<u>-</u>	<u>(6,805)</u>
Net Cash Flows from Financing Activities	<u>\$ 75,000</u>	<u>\$ 68,195</u>	<u>\$ (75,000)</u>	<u>\$ 68,195</u>
Net Increase in Cash and Cash Equivalents	\$ 127,054	\$ 26,249	\$ -	\$ 153,303
Cash and Cash Equivalents, Beginning of Year	<u>980,055</u>	<u>17,861</u>	<u>-</u>	<u>997,916</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,107,109</u>	<u>\$ 44,110</u>	<u>\$ -</u>	<u>\$ 1,151,219</u>

Supplemental Disclosures:

- a) There was no cash paid for income taxes during the year ended December 31, 2019.
- b) A total of \$799 of interest was paid during the year ended December 31, 2109.

(See Accompanying Notes and Auditor's Report)