

CREDIT BUILDERS ALLIANCE

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Credit Builders Alliance (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

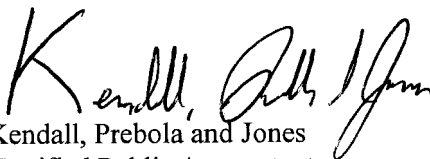
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Credit Builders Alliance as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses 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 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 as a whole.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 4, 2018

CREDIT BUILDERS ALLIANCE
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 794,090	\$ 831,410
Accounts Receivable	31,753	24,652
Grants and Contributions Receivable	121,853	118,573
Prepaid Expenses	<u>21,820</u>	<u>14,056</u>
Total Current Assets	<u>\$ 969,516</u>	<u>\$ 988,691</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 47,669</u>	<u>\$ 61,248</u>
Total Fixed Assets	<u>\$ 47,669</u>	<u>\$ 61,248</u>
<u>Other Assets:</u>		
Security and Other Deposits	<u>\$ 7,623</u>	<u>\$ 15,123</u>
Total Other Assets	<u>\$ 7,623</u>	<u>\$ 15,123</u>
TOTAL ASSETS	<u>\$ 1,024,808</u>	<u>\$ 1,065,062</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 57,588	\$ 3,503
Accrued Annual Leave	13,824	10,925
Payroll Withholdings and Related Liabilities	10,588	8,079
Deferred Revenue	85,879	128,771
Security Deposit Refundable	1,400	2,650
Current Portion Loan Payable	<u>1,683</u>	<u>-</u>
Total Current Liabilities	<u>\$ 170,962</u>	<u>\$ 153,928</u>
<u>Long-Term Liabilities:</u>		
Loan Payable	\$ 50,000	\$ -
Less: Current Portion Loan Payable	(1,683)	-
Deferred Rent Abatement	<u>25,275</u>	<u>32,529</u>
Total Long-Term Liabilities	<u>\$ 73,592</u>	<u>\$ 32,529</u>
Total Liabilities	<u>\$ 244,554</u>	<u>\$ 186,457</u>
<u>Net Assets/(Deficit):</u>		
Unrestricted	\$ 552,913	\$ 339,596
Temporarily Restricted	227,341	539,009
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 780,254</u>	<u>\$ 878,605</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,024,808</u>	<u>\$ 1,065,062</u>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE
COMPARATIVE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	December 31, 2017				December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenues, Gains and Other Support:</u>								
Contributions and Grants:								
Grants - Foundations and Corporations	\$ 3,500	\$ 379,000	\$ -	\$ 382,500	\$ -	\$ 664,400	\$ -	\$ 664,400
Grants - Government	221,060	-	-	221,060	165,893	-	-	165,893
Contributions	2,920	-	-	2,920	1,845	745	-	2,590
Donated Services and Materials	<u>38,523</u>	<u>-</u>	<u>-</u>	<u>38,523</u>	<u>44,348</u>	<u>-</u>	<u>-</u>	<u>44,348</u>
Total Contributions and Grants	\$ 266,003	\$ 379,000	\$ -	\$ 645,003	\$ 212,086	\$ 665,145	\$ -	\$ 877,231
Program Service Fee Revenue	404,051	-	-	404,051	341,974	-	-	341,974
Program Consulting Revenue	157,224	-	-	157,224	116,215	-	-	116,215
Interest Revenue	2,420	-	-	2,420	1,570	-	-	1,570
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>690,668</u>	<u>(690,668)</u>	<u>-</u>	<u>-</u>	<u>761,165</u>	<u>(761,165)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 1,520,366</u>	<u>\$ (311,668)</u>	<u>\$ -</u>	<u>\$ 1,208,698</u>	<u>\$ 1,433,010</u>	<u>\$ (96,020)</u>	<u>\$ -</u>	<u>\$ 1,336,990</u>
<u>Expenses:</u>								
Credit Builders Alliance Reporter	\$ 486,995	\$ -	\$ -	\$ 486,995	\$ 458,854	\$ -	\$ -	\$ 458,854
Credit Builders Alliance Rent Reporter	7,743	-	-	7,743	105,010	-	-	105,010
Credit Builders Alliance Access	61,912	-	-	61,912	25,667	-	-	25,667
Credit Builders Alliance Trainings and Consulting	228,538	-	-	228,538	162,388	-	-	162,388
Credit Builders Alliance Research and Pilots	63,880	-	-	63,880	79,442	-	-	79,442
Knowledge Transfer	133,456	-	-	133,456	26,171	-	-	26,171
Symposium	98,481	-	-	98,481	78,017	-	-	78,017
General and Administrative	182,319	-	-	182,319	155,418	-	-	155,418
Fundraising	<u>43,725</u>	<u>-</u>	<u>-</u>	<u>43,725</u>	<u>31,216</u>	<u>-</u>	<u>-</u>	<u>31,216</u>
Total Expenses	<u>\$ 1,307,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,049</u>	<u>\$ 1,122,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,122,183</u>
Changes in Net Assets	\$ 213,317	\$ (311,668)	\$ -	\$ (98,351)	\$ 310,827	\$ (96,020)	\$ -	\$ 214,807
Net Assets at Beginning of Year	<u>339,596</u>	<u>539,009</u>	<u>-</u>	<u>878,605</u>	<u>28,769</u>	<u>635,029</u>	<u>-</u>	<u>663,798</u>
Net Assets at End of Year	<u>\$ 552,913</u>	<u>\$ 227,341</u>	<u>\$ -</u>	<u>\$ 780,254</u>	<u>\$ 339,596</u>	<u>\$ 539,009</u>	<u>\$ -</u>	<u>\$ 878,605</u>

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (98,351)	\$ 214,807
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	32,458	26,774
Accounts Receivable - (Increase)/Decrease	(7,101)	12,469
Grants and Contributions Receivable - (Increase)/Decrease	(3,280)	(68,646)
Prepaid Expenses - (Increase)/Decrease	(7,764)	(7,876)
Security Deposits - (Increase)/Decrease	7,500	-
Accounts Payable - Increase/(Decrease)	54,085	(53)
Accrued Annual Leave - Increase/(Decrease)	2,899	739
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	2,509	3,640
Deferred Revenues - Increase/(Decrease)	(42,892)	47,605
Security Deposit Refundable - Increase/(Decrease)	(1,250)	-
Deferred Rent Abatement - Increase/(Decrease)	<u>(7,254)</u>	<u>(4,233)</u>
Net Cash Flows from Operating Activities	<u>\$ (68,441)</u>	<u>\$ 225,226</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (18,879)</u>	<u>\$ (27,513)</u>
Net Cash Flows from Investing Activities	<u>\$ (18,879)</u>	<u>\$ (27,513)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds from Loans	<u>\$ 50,000</u>	<u>\$ -</u>
Net Cash Flows from Financing Activities	<u>\$ 50,000</u>	<u>\$ -</u>
Net Increase in Cash and Cash Equivalents	\$ (37,320)	\$ 197,713
Cash and Cash Equivalents, Beginning of Year	<u>831,410</u>	<u>633,697</u>
Cash and Cash Equivalents, End of Year	<u>\$ 794,090</u>	<u>\$ 831,410</u>

Supplemental Disclosures:

There was no cash paid for interest nor income taxes during the years ended December 31, 2017 or 2016.

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE
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. 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 conduit 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 addition to offering ongoing access to online tools and resources, webinars, and learning platforms for and among our powerful network of over 500 member organizations, the following summarizes CBA's four major services:

Basic Programs

1. Core Platform Services: CBA Reporter, CBA Business Reporter and CBA Access

- A. 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 194 nonprofit lenders to report almost 51,000 trade lines every month, totaling \$1.62 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. CBA also offers an onsite Rapid Response Team (RRT) training and technical assistance session for new and struggling reporter members as feasible.

- B. 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.

Today, **CBA Business Reporter** enables almost two dozen nonprofit lenders to report thousands of trade lines every month, totaling tens of millions of dollars in credit extended to their respective borrowers to start or grow a business.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Basic Programs (Continued)

1. Core Platform Services: CBA Reporter, CBA Business Reporter and CBA Access
(Continued)

- C. **CBA Access** enables nonprofits to pull and purchase credit reports and credit scores from the major credit bureaus TransUnion and Experian 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 296 nonprofits engaged in lending and/or financial education to get credentialed to pull approximately 9,000 credit reports a month

2. CBA Training and Consulting Services

- A. CBA's signature *Credit as an Asset* training has been offered since 2008 to over 2250 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.

Since 2014, CBA has offered its training via a modified three-part virtual webinar series for those who cannot attend a full-day training in person. CBA's 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. In summer 2017, CBA launched a new website—www.CBAtraininginstitute.org—a site dedicated to helping organizations and individual financial coaches and counselors develop and enhance credit building programming and implementation strategies. CBA's Training Institute site offers access to a vast learning library of resources for CBA members and hosts an e-learning platform for online training and technical assistance.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Basic Programs (Continued)

2. **CBA Training and Consulting Services** (Continued)

B. CBA Consulting

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. CBA brings credit building expertise, industry connections, and credibility to organizations interested in investing in their credit building capacity.

In 2015, CBA formally rolled out its sub-consulting service **Rent Reporting for Credit Building (RRCB)** upon successful completion of a pilot focused on helping affordable housing providers report their residents' rental payments as a credit building strategy. CBA's RRCB consulting service supports mission driven affordable and public housing providers to implement rent reporting for credit building initiatives in order to help their residents build credit histories and offer them a positive incentive for on-time rent payment. Today, CBA is providing consulting services to over two dozen affordable and public housing providers, developers, and coalitions.

3. **CBA Research and Pilots**

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 2017 in particular, CBA developed a Product-in-a-Box (PIAB) initiative that provides tools, resources, and support to help nonprofits offer small-dollar consumer loans and other credit building products in their communities.

CBA's PIAB program offers a full spectrum of supportive services, informed by its broad and diverse membership, as well as field insights. PIAB is designed for organizations seeking to add a new loan to their portfolio, offering a credit building product for the first time or partnering with an organization to do so. PIAB offers three complementary components to enhance organizational success:

- Turnkey toolkits that guide organizations through taking the steps needed to plan for, design, and offer credit building product to specific populations;
- Technical assistance support for utilizing the toolkits and building and improving your credit building program; and
- Funding through our CBA Fund for loan capital and/or program support to help build the capacities of nonprofits offering credit building products.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Basic Programs (Continued)

4. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of Accounting and Presentation:

The accompanying 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) Revenue Recognition:

Contributions

The Organization has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor-imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor-imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

Credit Builders Alliance reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes:

The Organization is exempt from federal and state income taxes 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. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. 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. The Organization did not have any net unrelated business income for the years ended December 31, 2017 and 2016.

(d) Grants:

Grant revenues result primarily from foundation, corporate and U.S. Government grants. These grants are subject to financial and compliance audits by the funding agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

(e) Net Assets:

The Organization has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-profit Organizations*. Under FASB ASC No. 958-205-05, the Organization is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are defined as net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions which have been met in the current year, and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets are defined as net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets were available at year end for the following programs:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Purpose Restricted:</u>		
Knowledge Transfer	\$ -	\$ 73,321
Credit Builders Research and Pilots	3,740	46,480
Credit Builders Alliance Reporter	37,377	258,185
Credit Builders Alliance Rent Reporter	4,370	8,706
Credit Builders Alliance Training and Consulting	127,604	119,072
Symposium	<u>54,250</u>	<u>33,245</u>
Total	<u>\$ 227,341</u>	<u>\$ 539,009</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by donors for the following activities:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Symposium	\$ 145,495	\$ 134,400
Knowledge Transfer	73,321	24,304
Credit Builders Research and Pilots	42,740	70,287
Credit Builders Alliance Rent Reporter	4,336	108,431
Credit Builders Alliance Reporter	220,808	286,815
Credit Builders Alliance Training and Consulting	<u>203,968</u>	<u>136,928</u>
Total	<u>\$ 690,668</u>	<u>\$ 761,165</u>

Permanently Restricted Net Assets

Permanently restricted net assets are defined as net assets subject to donor-imposed stipulations that require they be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization did not have any permanently restricted net assets at December 31, 2017 and 2016.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) 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 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.

Services

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Legal Services	\$ <u>14,523</u>	\$ <u>20,348</u>
Total	\$ <u>14,523</u>	\$ <u>20,348</u>

Materials

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Software Licenses	\$ <u>24,000</u>	\$ <u>24,000</u>
Total	\$ <u>24,000</u>	\$ <u>24,000</u>

(g) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule 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.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

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. 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. The remaining expenses are specifically allocated to various programs and supporting services whenever possible.

(h) 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.

(i) 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.

3. 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 performed an evaluation of uncertain tax positions for the year ended December 31, 2017, 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, 2017, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2017, the Organization had no accruals for interest and/or penalties.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS:

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Checking Account - Non-Interest Bearing	\$ 153,305	\$ 262,045
Savings Account - Interest Bearing	<u>640,785</u>	<u>569,365</u>
Total	<u>\$ 794,090</u>	<u>\$ 831,410</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 maintains its cash and cash equivalents in two 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, 2017 and 2016, \$61,674 and \$330,065, respectively, 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.

5. ACCOUNTS, GRANTS AND CONTRIBUTIONS RECEIVABLE:

Accounts, grants and contributions receivable as of December 31, 2017 and 2016 consisted of the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Accounts Receivable:</u>		
Program Fees and Reimbursements	\$ 43,199	\$ 30,347
Less: Allowance for Doubtful Accounts	<u>(11,446)</u>	<u>(5,695)</u>
Total Accounts Receivable	<u>\$ 31,753</u>	<u>\$ 24,652</u>
<u>Grants and Contributions Receivable:</u>		
U.S. Small Business Administration	\$ 109,353	\$ 86,073
Contributions	<u>12,500</u>	<u>32,500</u>
Total Grants and Contributions Receivable	<u>\$ 121,853</u>	<u>\$ 118,573</u>

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND CONTRIBUTIONS RECEIVABLE: (Continued)

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, 2017 and 2016 is minimal.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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 payment has not been received after 180 days.

6. FIXED ASSETS:

Fixed assets are recorded at cost. 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 years ended December 31, 2017 and 2016 was \$32,458 and \$26,774, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

	Depreciable <u>Life</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Computers and Equipment	3 Years	\$ 14,074	\$ 10,434
Leasehold Improvements	7 Years	6,012	6,012
Website	5 Years	<u>130,063</u>	<u>114,823</u>
Total		\$ 150,149	\$ 131,269
Accumulated Depreciation and Amortization		<u>(102,480)</u>	<u>(70,021)</u>
Net Fixed Assets		<u>\$ 47,669</u>	<u>\$ 61,248</u>

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

7. 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 statements of financial position. 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. 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, 2017 and 2016 was \$25,275 and \$32,529, respectively.

8. 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. CBA 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 in order to access capital needed to fund or secure the loans.

Per the terms of this loan, there are no payments required until August 15, 2018, at which time accrued interest in the amount of \$875 will be due. 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. The initial quarterly payment due on November 15, 2018, is \$1,901. This loan bears interest at a rate of 1.75%. 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>
2018	\$ 1,683	\$ 218	\$ 1,901
2019	6,805	799	7,604
2020	6,924	680	7,604
2021	7,045	558	7,603
2022	<u>27,543</u>	<u>337</u>	<u>27,880</u>
Total	<u>\$ 50,000</u>	<u>\$ 2,592</u>	<u>\$ 52,592</u>

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

9. 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 expires 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, 2017 and 2016, were \$8,838 and \$8,580, respectively. As a requirement of this lease, a security deposit in the amount of \$7,623 was required to be made. As of December 31, 2017, future minimum rental obligations required under this lease, net of rent abatement are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Rent</u> <u>Obligation</u>	<u>Rent</u> <u>Abatement</u>	<u>Net</u> <u>Obligation</u>
2018	\$ 96,480	\$ 10,366	\$ 106,846
2019	96,480	13,572	110,052
2020	<u>8,040</u>	<u>1,337</u>	<u>9,377</u>
Total	<u>\$ 201,000</u>	<u>\$ 25,275</u>	<u>\$ 226,275</u>

Rental expense related to this lease for the years ended December 31, 2017 and 2016 was \$104,341 and \$101,276, respectively.

The Organization subleased office space to tenants under a non-cancelable operating lease for the period of April 16, 2013, through September 30, 2013. As part of the provisions of this sublease agreement, the tenant has elected to renew this lease on a month to month basis. The amount received during the years ended December 31, 2017 and 2016 was \$38,764 and \$26,850, respectively, which is recorded against rental expense reported above. As a requirement of this lease, a security deposit in the amount of \$1,400 was required to be made and is reflected in the statements of financial position as a current liability for the years ending December 31, 2017 and 2016.

10. 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 fifty percent (50%) of total support was attributed to foundation and corporate support for the year ended December 31, 2016.

11. CONTINGENCIES:

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.

CREDIT BUILDERS ALLIANCE
NOTES TO FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS:

Credit Builders Alliance received grants and contributions totaling \$162,500 from one organization for which the senior manager of the organization was a board member of Credit Builders Alliance.

13. SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 4, 2018, 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.

14. FUNDRAISING EXPENSE:

Expenses for the purpose of fundraising in the amount of \$43,725 and \$31,216 were incurred during the years ended December 31, 2017 and 2016, respectively.

15. 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 years ended December 31, 2017 and 2016 was \$17,995 and \$12,246, respectively.

16. EMPLOYEE BENEFITS:

The cost of employee benefits incurred for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Social Security/Medicare	\$ 45,565	\$ 38,602
Health Insurance	49,202	35,314
Retirement	17,995	12,246
Workmen's Compensation Insurance	1,985	1,803
Unemployment	<u>4,497</u>	<u>2,166</u>
Total	<u>\$ 119,244</u>	<u>\$ 90,131</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
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Supporting Services</u>				<u>Program Services</u>						
		<u>Total Supporting Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Program Services</u>	<u>CBA Reporter</u>	<u>CBA Rent Reporter</u>	<u>CBA Access</u>	<u>Knowledge Transfer</u>	<u>CBA Research and Pilots</u>	<u>Symposium</u>	<u>CBA Trainings and Consulting</u>
<u>Expenses:</u>												
Salaries and Wages	\$ 631,241	\$ 109,492	\$ 33,729	\$ 75,763	\$ 521,749	\$ 277,710	\$ 3,696	\$ 30,001	\$ 63,088	\$ 24,916	\$ 19,999	\$ 102,339
Payroll Taxes and Employee Benefits	119,244	16,503	5,295	11,208	102,741	55,139	610	6,893	12,675	5,014	3,323	19,087
Accounting and Legal	66,727	63,052	-	63,052	3,675	2,700	-	-	975	-	-	-
Board Expenses	1,887	1,887	-	1,887	-	-	-	-	-	-	-	-
Conferences and Trainings	8,944	-	-	-	8,944	5,705	-	-	-	740	-	2,499
Subgrants	37,971	-	-	-	37,971	28,800	-	162	3,000	-	-	6,009
Consulting Fees	72,515	6,092	-	6,092	66,423	21,607	-	-	11,697	15,883	1,925	15,311
Insurance	10,064	1,887	334	1,553	8,177	2,059	206	1,076	1,591	1,197	358	1,690
Occupancy	65,577	10,046	2,299	7,747	55,531	22,610	1,421	3,385	9,944	4,743	2,463	10,965
Postage and Delivery	1,793	130	8	122	1,663	-	-	-	330	-	-	1,333
Printing	12,078	-	-	-	12,078	1,026	-	-	544	-	2,903	7,605
Promotion	4,570	3,563	23	3,540	1,007	144	23	84	153	490	25	88
Supplies	54,400	3,764	-	3,764	50,636	256	-	-	2,500	-	35,452	12,428
Telephone and Internet	16,782	5,999	445	5,554	10,783	3,416	280	710	2,226	1,511	468	2,172
Travel	68,756	6,134	768	5,366	62,622	9,744	549	-	7,052	3,595	15,501	26,181
Website and Technology	49,763	6,963	824	6,139	42,800	10,205	798	2,581	8,383	1,906	14,782	4,145
Depreciation and Amortization	32,458	32,458	-	32,458	-	-	-	-	-	-	-	-
Bad Debt Expense	19,621	10	-	10	19,611	8,451	-	11,160	-	-	-	-
Licenses and Fees	32,658	25,516	-	25,516	7,142	-	-	5,860	-	-	1,282	-
Other General Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Expenses	\$ 1,307,049	\$ 293,496	\$ 43,725	\$ 249,771	\$ 1,013,553	\$ 449,572	\$ 7,583	\$ 61,912	\$ 124,158	\$ 59,995	\$ 98,481	\$ 211,852
Indirect Expense	-	(67,452)	-	(67,452)	67,452	37,423	160	-	9,298	3,885	-	16,686
Total Expenses	\$ 1,307,049	\$ 226,044	\$ 43,725	\$ 182,319	\$ 1,081,005	\$ 486,995	\$ 7,743	\$ 61,912	\$ 133,456	\$ 63,880	\$ 98,481	\$ 228,538

(See Accompanying Notes and Auditor's Report)

CREDIT BUILDERS ALLIANCE
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>Supporting Services</u>				<u>Program Services</u>						
		<u>Total Supporting Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Program Services</u>	<u>CBA Reporter</u>	<u>CBA Rent Reporter</u>	<u>CBA Access</u>	<u>Knowledge Transfer</u>	<u>CBA Research and Pilots</u>	<u>Symposium</u>	<u>CBA Trainings and Consulting</u>
<u>Expenses:</u>												
Salaries and Wages	\$ 513,501	\$ 77,471	\$ 22,847	\$ 54,624	\$ 436,030	\$ 216,758	\$ 60,865	\$ 6,583	\$ 1,954	\$ 48,109	\$ 16,209	\$ 85,552
Payroll Taxes and Employee Benefits	90,131	12,154	3,330	8,824	77,977	41,655	11,462	548	241	8,698	2,040	13,333
Accounting and Legal	60,923	57,323	-	57,323	3,600	3,600	-	-	-	-	-	-
Board Expenses	2,662	2,662	-	2,662	-	-	-	-	-	-	-	-
Conferences and Trainings	11,259	-	-	-	11,259	1,769	1,300	-	7,429	761	-	-
Subgrants	66,962	-	-	-	66,962	51,000	10,000	462	-	3,000	-	2,500
Consulting Fees	72,390	680	-	680	71,710	29,309	4,841	-	5,480	1,391	10,242	20,447
Insurance	9,147	7,529	-	7,529	1,618	1,300	-	-	-	318	-	-
Occupancy	74,426	14,651	3,622	11,029	59,775	40,267	3,674	397	-	8,461	-	6,976
Postage and Delivery	1,029	12	-	12	1,017	13	-	-	26	-	181	797
Printing	11,905	-	-	-	11,905	3,417	709	-	7	240	1,807	5,725
Promotion	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	45,935	1,643	-	1,643	44,292	470	307	-	2,000	-	30,314	11,201
Telephone and Internet	12,766	3,922	142	3,780	8,844	5,562	1,200	-	-	205	-	1,877
Travel	53,662	3,259	685	2,574	50,403	11,104	5,991	-	6,016	369	16,230	10,693
Website and Technology	17,823	4,130	590	3,540	13,693	5,541	25	862	2,515	1,788	-	2,962
Depreciation and Amortization	26,774	26,774	-	26,774	-	-	-	-	-	-	-	-
Bad Debt Expense	24,283	2,575	-	2,575	21,708	4,893	-	16,815	-	-	-	-
Licenses and Fees	26,255	25,202	-	25,202	1,053	59	-	-	-	-	994	-
Other General Expense	350	-	-	-	350	-	-	-	350	-	-	-
Total Direct Expenses	\$ 1,122,183	\$ 239,987	\$ 31,216	\$ 208,771	\$ 882,196	\$ 416,717	\$ 100,374	\$ 25,667	\$ 26,018	\$ 73,340	\$ 78,017	\$ 162,063
Indirect Expense	-	(53,353)	-	(53,353)	53,353	42,137	4,636	-	153	6,102	-	325
Total Expenses	\$ 1,122,183	\$ 186,634	\$ 31,216	\$ 155,418	\$ 935,549	\$ 458,854	\$ 105,010	\$ 25,667	\$ 26,171	\$ 79,442	\$ 78,017	\$ 162,388

(See Accompanying Notes and Auditor's Report)