



CHANGE MACHINE

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**WATSONRICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**CHANGE MACHINE
SEPTEMBER 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Change Machine

Report on the Financial Statements

We have audited the accompanying financial statements of Change Machine, which comprise the statement of financial position as of September 30, 2021, the related statements of activities, functional expenses and cash flows for the year 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 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 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.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Change Machine as of September 30, 2021, 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.

Other Matter

The financial statements of Change Machine, as of and for the year ended September 30, 2020, were audited by other auditors, whose report dated February 25, 2021, expressed an unmodified opinion on those statements.

Watson Rice LLP

New York, New York
February 22, 2022

**CHANGE MACHINE
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Assets		
<u>Current Assets</u>		
Cash (Note 3)	\$ 3,914,216	\$ 3,419,060
Accounts receivable, net (Note 4)	41,955	85,299
Unconditional promise to give (Note 5)	1,434,932	972,000
Prepaid expenses	85,947	90,827
Total Current Assets	<u>5,477,050</u>	<u>4,567,186</u>
<u>Other Assets</u>		
Equipment and leasehold improvements, net (Note 6)	47,589	48,680
Software, net (Note 7)	223,305	241,754
Security deposits	84,852	84,852
Total Other Assets	<u>355,746</u>	<u>375,286</u>
Total Assets	<u>\$ 5,832,796</u>	<u>\$ 4,942,472</u>
Liabilities and Net Assets		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	\$ 58,940	\$ 24,053
Accrued salary and related expenses	114,861	205,676
Deferred rent liabilities	43,262	40,325
Deferred revenue	111,541	47,683
Total Current Liabilities	<u>328,604</u>	<u>317,737</u>
<u>Other Liabilities</u>		
Line of credit (Note 8)	429,846	429,895
Paycheck Protection Program loan payable (Note 9)	-	440,390
Total Other Liabilities	<u>429,846</u>	<u>870,285</u>
Total Liabilities	<u>758,450</u>	<u>1,188,022</u>
<u>Net Assets</u>		
Without donor restrictions	890,828	1,017,830
With donor restrictions (Note 10)	4,183,518	2,736,620
Total Net Assets	<u>5,074,346</u>	<u>3,754,450</u>
Total Liabilities and Net Assets	<u>\$ 5,832,796</u>	<u>\$ 4,942,472</u>

See notes to financial statements.

**CHANGE MACHINE
STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 38,142	\$ 5,250,749	\$ 5,288,891
Program service revenue	449,483	-	449,483
Donated legal services	30,969	-	30,969
Forgiveness of debt (Note 9)	440,390	-	440,390
Miscellaneous income	530	-	530
Net assets released from restrictions (Note 10)	<u>3,803,851</u>	<u>(3,803,851)</u>	<u>-</u>
Total Revenues	<u>4,763,365</u>	<u>1,446,898</u>	<u>6,210,263</u>
Expenses			
Program Services			
Product development	1,308,810	-	1,308,810
Capacity building	589,268	-	589,268
Direct services	917,587	-	917,587
Research and policy	<u>419,219</u>	<u>-</u>	<u>419,219</u>
Total Program Services	<u>3,234,884</u>	<u>-</u>	<u>3,234,884</u>
Supporting Activities			
Management and general	1,220,322	-	1,220,322
Fundraising	<u>435,161</u>	<u>-</u>	<u>435,161</u>
Total Supporting Activities	<u>1,655,483</u>	<u>-</u>	<u>1,655,483</u>
Total Expenses	<u>4,890,367</u>	<u>-</u>	<u>4,890,367</u>
Changes in Net Assets	(127,002)	1,446,898	1,319,896
Net Assets, Beginning of Year	<u>1,017,830</u>	<u>2,736,620</u>	<u>3,754,450</u>
Net Assets, End of Year	<u>\$ 890,828</u>	<u>\$ 4,183,518</u>	<u>\$ 5,074,346</u>

See notes to financial statements.

**CHANGE MACHINE
STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 338,659	\$ 2,630,000	\$ 2,968,659
Program service revenue	520,864	-	520,864
Donated legal services	180,052	-	180,052
Miscellaneous income	7,178	-	7,178
Net assets released from restrictions (Note10)	<u>4,117,621</u>	<u>(4,117,621)</u>	<u>-</u>
Total Revenues	<u>5,164,374</u>	<u>(1,487,621)</u>	<u>3,676,753</u>
Expenses			
Program Services			
Product development	1,211,071	-	1,211,071
Capacity building	275,491	-	275,491
Direct services	963,697	-	963,697
Research and policy	<u>211,437</u>	<u>-</u>	<u>211,437</u>
Total Program Services	<u>2,661,696</u>	<u>-</u>	<u>2,661,696</u>
Supporting Activities			
Management and general	1,428,440	-	1,428,440
Fundraising	<u>333,042</u>	<u>-</u>	<u>333,042</u>
Total Supporting Activities	<u>1,761,482</u>	<u>-</u>	<u>1,761,482</u>
Total Expenses	<u>4,423,178</u>	<u>-</u>	<u>4,423,178</u>
Changes in Net Assets	741,196	(1,487,621)	(746,425)
Net Assets, Beginning of Year	<u>276,634</u>	<u>4,224,241</u>	<u>4,500,875</u>
Net Assets, End of Year	<u><u>\$ 1,017,830</u></u>	<u><u>\$ 2,736,620</u></u>	<u><u>\$ 3,754,450</u></u>

See notes to financial statements.

CHANGE MACHINE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Product Development	Capacity Building	Direct Services	Research and Policy	Total Program Services	Management and General	Fundraising	Total
Personnel	\$ 585,550	\$ 373,988	\$ 746,065	\$ 346,382	\$ 2,051,985	\$ 867,050	\$ 351,196	\$ 3,270,231
Professional fees	499,286	142,821	48,802	39,062	729,971	217,370	38,952	986,293
Occupancy	43,661	17,695	74,662	20,410	156,428	56,612	25,325	238,365
Donated legal services	-	-	-	-	-	30,969	-	30,969
Depreciation and amortization	103,455	2,487	6,278	2,265	114,485	7,438	2,216	124,139
Travel	6	9	2,324	6	2,345	25	3	2,373
Web services	62,019	2,190	7,906	1,967	74,082	5,578	10,206	89,866
Interest	2,719	4,622	2,991	2,991	13,323	12,506	1,359	27,188
Insurance	4,753	1,925	8,244	2,213	17,135	6,271	2,787	26,193
Conference and facility fees	2,928	737	7,791	1,555	13,011	2,169	848	16,028
Bank and credit score fees	370	516	4,458	334	5,678	1,398	152	7,228
Postage and printing	314	400	957	551	2,222	1,113	427	3,762
Office equipment	1,147	462	2,021	502	4,132	1,509	673	6,314
Supplies	2,213	913	4,324	662	8,112	2,225	472	10,809
Dues and memberships	289	323	534	209	1,355	926	495	2,776
Subgrants/subcontracts	-	39,610	-	-	39,610	-	-	39,610
Bad debt expense	-	-	-	-	-	6,702	-	6,702
Miscellaneous	100	570	230	110	1,010	461	50	1,521
	<u>\$ 1,308,810</u>	<u>\$ 589,268</u>	<u>\$ 917,587</u>	<u>\$ 419,219</u>	<u>\$ 3,234,884</u>	<u>\$ 1,220,322</u>	<u>\$ 435,161</u>	<u>\$ 4,890,367</u>

See notes to financial statements.

CHANGE MACHINE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Product Development	Capacity Building	Direct Services	Research and Policy	Total Program Services	Management and General	Fundraising	Total
Personnel	\$ 985,993	\$ 210,990	\$ 530,968	\$ 179,367	\$ 1,907,318	\$ 797,111	\$ 283,204	\$ 2,987,633
Professional fees	63,702	28,643	256,411	12,524	361,280	306,204	11,174	678,658
Occupancy	84,696	14,908	39,181	11,895	150,680	56,961	19,682	227,323
Donated legal services	-	-	-	-	-	180,052	-	180,052
Depreciation and amortization	6,084	1,284	97,024	894	105,286	7,005	1,366	113,657
Travel	28,863	10,953	3,786	2,732	46,334	10,693	301	57,328
Web services	6,705	811	23,416	566	31,498	3,144	8,099	42,741
Interest	-	-	-	-	-	32,460	-	32,460
Insurance	9,425	1,710	4,396	1,310	16,841	6,257	2,189	25,287
Conference and facility fees	6,147	1,007	3,447	896	11,497	6,083	2,088	19,668
Bank and credit score fees	10,117	-	-	-	10,117	3,342	1,206	14,665
Postage and printing	2,258	1,320	993	332	4,903	2,521	2,107	9,531
Office equipment	2,383	491	1,540	421	4,835	1,864	596	7,295
Supplies	2,257	471	1,534	246	4,508	1,857	504	6,869
Dues and membership	175	2,091	-	-	2,266	-	-	2,266
Bad debt expense	-	-	-	-	-	11,624	-	11,624
Miscellaneous	2,266	812	1,001	254	4,333	1,262	526	6,121
Total Expenses	<u>\$ 1,211,071</u>	<u>\$ 275,491</u>	<u>\$ 963,697</u>	<u>\$ 211,437</u>	<u>\$ 2,661,696</u>	<u>\$ 1,428,440</u>	<u>\$ 333,042</u>	<u>\$ 4,423,178</u>

See notes to financial statements.

CHANGE MACHINE
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,319,896	\$ (746,425)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	124,139	113,657
Bad debt expense	6,702	11,624
Forgiveness of debt	(440,390)	-
Amortization of discount on unconditional promise to give	-	(15,700)
(Increase) decrease in assets:		
Accounts receivable	36,642	89,581
Unconditional promises to give	(462,932)	1,376,376
Prepaid expenses	4,880	(20,514)
Increase (decrease) in liabilities:		
Accounts payable	34,887	(15,383)
Accrued salary and vacation	(90,815)	108,426
Deferred revenue	63,858	(109,753)
Deferred lease liability	2,937	7,785
Net cash provided by operating activities	<u>599,804</u>	<u>799,674</u>
Cash Flows From Investing Activities		
Purchases of equipment	(23,476)	(10,129)
Expenditures for software development	(81,123)	(74,000)
Net cash used in investing activities	<u>(104,599)</u>	<u>(84,129)</u>
Cash Flows From Financing Activities		
Principal payment on line of credit	(49)	(65,000)
Proceeds from Paycheck Protection Program loan payable	-	440,390
Net cash (used in) provided by financing activities	<u>(49)</u>	<u>375,390</u>
Net Increase in Cash	495,156	1,090,935
Cash at Beginning of Year	<u>3,419,060</u>	<u>2,328,125</u>
Cash at End of Year	<u>\$ 3,914,216</u>	<u>\$ 3,419,060</u>
Supplemental Disclosures		
Cash paid for interest	<u>\$ 27,238</u>	<u>\$ 32,460</u>

See notes to financial statements.

**CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

1. ORGANIZATION AND PURPOSE

Change Machine, formerly The Financial Clinic, was incorporated in September 2006 as a not-for-profit organization with 501(c)(3) status in the State of New York. Change Machine's mission is to build financial security for low-income communities through people-powered technology. Change Machine accomplishes this mission through a technology platform that amplifies the impact of social service organizations and public agencies working with people to achieve financial goals. Its partnerships build a community of practice, and its insights influence lasting economic change.

Change Machine's major programs are as follows:

Product Development – Building financial security using people-powered technology is core to Change Machine's mission. Its revolutionary cloud-based platform, which operates as a B2B2C software as a service (SaaS) social enterprise, provides a single platform where practitioners can learn best financial coaching practices; access tools and information; and participate in a professional social network specifically designed for the field. Built by practitioners for practitioners, Change Machine's financial coaching platform provides a one-stop shop for effective resources practitioners can use to address their customers' underlying financial insecurity.

Capacity Building – Change Machine's business-to-business consulting services are designed to build capacity at organizations that work with low-income people locally and nationally. The team provides training and technical assistance to build financial security strategies into the daily interactions of frontline staff at partner organizations. This includes training for frontline staff to engage their customers in conversations about personal finance, as well as support for leadership to fully implement an integrated approach to financial security services within their programs and organizations.

Direct Services (aka Programs) – Change Machine's Programs team applies a holistic partnership approach, combined with direct service provision, which build financial security for low-income communities at scale. The team engages regional- and sector-based nonprofits, providing a variety of high-touch services including direct access to Change Machine's experienced financial coaches, training and capacity building, and data-based insights to promote policy solutions and systemic change.

**CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. ORGANIZATION AND PURPOSE – CONTINUED

Research and Policy – Change Machine develops and advocates for policy reforms and systemic changes that will remove obstacles to financial security. Change Machine builds coalitions and partners with advocacy groups, researchers, think tanks, practitioners, and local, state, and federal policymakers to guide and support its policy agenda. Its in-house Research and Policy team surfaces insights using customer data captured on the Change Machine platform. Change Machine uses its data and research to leverage lessons learned on the ground to create impact far beyond an initial program – informing best practices, the field, and public policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Change Machine is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing Change Machine’s primary objectives. Change Machine’s board of directors may designate assets without restrictions for specific operational purposes.

Net assets with donor restrictions: Net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations. Some donor restrictions are temporary in nature and may expire by the passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. Other donor restrictions are perpetual in nature and must be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Accounts Receivable

Accounts receivable consists of services that were performed in accordance with the terms of certain agreements. Accounts receivable is 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 and historical collections. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

**CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give due in more than one year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

Equipment and Leasehold Improvements

Acquisitions of equipment and leasehold improvements in excess of \$1,000 are capitalized at cost. Depreciation is provided using the straight-line method over 3 to 5 years, the estimated useful lives of the assets.

Software

All software research and development costs along with any maintenance and customer support are expensed as incurred. All software production costs including any indirect costs are recorded at cost and amortized over the greater of a) current gross revenue attributed to the software product over total current and anticipated future gross revenue for that product or b) the straight-line method over the remaining estimated economic life of the product.

Deferred Revenue

Program service revenue is recognized based on contract delivery dates. Revenue received prior to the contract dates to which it applies is recorded as deferred revenue.

Contributions

Contributions received are recorded as increases in net assets with donor restrictions or without donor restrictions, depending on the existence of any donor 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.

Donated Services

Donated services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported at their estimated fair value in the period received.

**CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Expense Allocation

The financial statements report certain expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional fees, occupancy, travel, insurance, and depreciation and amortization, which are allocated on the basis of estimates of time and effort. All other expenses are charged directly to the appropriate program service or supporting activity.

Revenue Recognition

Change Machine partners with colleges, universities, and employers to deliver programming and help people achieve their financial goals. Program service revenue, primarily consulting services, consists of single performance obligations that are satisfied at a point in time (when deliverables are provided), as well as over time within the designated contract period.

Adoption of New Accounting Guidance

Change Machine has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Analysis of various provisions of this standard resulted in no significant changes in the way Change Machine recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

Change Machine is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is therefore not subject to federal and state income or franchise taxes.

CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Pronouncements

Accounting for Leases

The FASB issued its new lease accounting guidance in ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (except for short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is essentially unchanged. Specifically targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance-sheet financing.

Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

On June 3, 2020, FASB issued ASU 2020-05 to extend the effective date of Topic 842 for private companies and private, not-for-profit organizations. These entities may apply the new lease standard for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption will continue to be permitted. Management is currently evaluating the impact of this ASU on the financial statements.

CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED

3. CASH

Change Machine maintains its cash balances at one financial institution located in New York. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2021 and 2020, Change Machine’s uninsured cash balance totaled approximately \$3,664,000 and \$3,169,000. Management believes that the risk of loss associated with these cash balances as a result of the financial failure of the banking institutions is minimal.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 41,955	\$ 95,122
Less: Allowance for doubtful accounts	<u>-</u>	<u>(9,823)</u>
Accounts receivable, net	<u>\$ 41,955</u>	<u>\$ 85,299</u>

For the year ended September 30, 2021 and 2020, Change Machine wrote off accounts receivable amounting to \$16,382 and \$1,801, respectively.

5. UNCONDITIONAL PROMISES TO GIVE

As of September 30, 2021 and 2020, unconditional promises to give that is collectible in less than one year amounted to \$1,434,932 and \$972,000, respectively, of which 96% and 82%, respectively, of Change Machine’s promises to give were receivable from two donors.

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 12,300	\$ 12,300
Computer equipment	74,460	50,984
Equipment and furniture	<u>29,738</u>	<u>29,738</u>
Equipment and leasehold improvements at cost	116,498	93,022
Less: Accumulated depreciation	<u>(68,909)</u>	<u>(44,342)</u>
Equipment and leasehold improvements, net	<u>\$ 47,589</u>	<u>\$ 48,680</u>

Depreciation expense for the years ended September 30, 2021 and 2020 amounted to \$24,567 and \$18,702, respectively.

**CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

7. SOFTWARE

Software consists of the following:

	<u>2021</u>	<u>2020</u>
Software	\$ 568,440	\$ 487,317
Less: Accumulated amortization	<u>(345,135)</u>	<u>(245,563)</u>
Software, net	<u>\$ 223,305</u>	<u>\$ 241,754</u>

Amortization expense for the years ended September 30, 2021 and 2020 amounted to \$99,572 and \$94,955, respectively.

8. LINE OF CREDIT

In February 2019, Change Machine renewed its \$500,000 revolving line of credit. Advances on the credit line carry an interest rate equal to the prime rate plus 3%. The line of credit is secured by a general business security agreement. As of September 30, 2021 and 2020, the line of credit outstanding balance amounted to \$429,846 and \$429,895, respectively and will mature on March 31, 2024.

9. PAYCHECK PROTECTION PROGRAM LOAN

On April 28, 2020, Change Machine was awarded a loan amounting to \$440,390 under the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security Act, which was administered by the U.S. Small Business Administration. The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by Change Machine during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years.

On May 25, 2021, the PPP loan principal and interest amounting to \$440,390 and \$4,710, respectively, were forgiven.

CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED

10. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2021 and 2020, net assets with donor restrictions are restricted to the following purposes:

	<u>2021</u>	<u>2020</u>
Direct services	\$ 459,864	\$ 767,870
Product development	1,710,065	1,806,250
Capacity building	1,835,695	37,500
Research and policy	<u>177,894</u>	<u>125,000</u>
Total	<u>\$ 4,183,518</u>	<u>\$ 2,736,620</u>

For the years ended September 30, 2021 and 2020, releases from donor restricted net assets are as follows:

	<u>2021</u>	<u>2020</u>
Direct services	\$ 637,845	\$ 2,136,580
Product development	1,605,375	1,658,750
Capacity building	1,370,423	253,708
Research and policy	<u>190,208</u>	<u>68,583</u>
Total	<u>\$ 3,803,851</u>	<u>\$ 4,117,621</u>

11. LIQUIDITY AND AVAILABILITY

The following represents Change Machine’s financial assets as of September 30, 2021 and 2020, reduced by amounts not available for general expenditures over the next twelve (12) months because of contractual or donor-imposed restrictions. General expenditures are defined as all budgeted programmatic and operational expenses.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 3,914,216	\$ 3,419,060
Accounts receivable	41,955	85,299
Unconditional promises to give	<u>1,434,932</u>	<u>972,000</u>
Total financial assets	5,391,103	4,476,359
Less financial assets held to meet donor imposed restrictions:		
Purpose restricted net assets (Note 10)	<u>(4,183,518)</u>	<u>(2,736,620)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve (12) months	<u>\$ 1,207,585</u>	<u>\$ 1,739,739</u>

**CHANGE MACHINE
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. LIQUIDITY AND AVAILABILITY – CONTINUED

Change Machine strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Change Machine’s cash flows have seasonal variations during the year attributable to cash receipts for earned income and a concentration of contributions received. Change Machine has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

12. RETIREMENT PLAN

Change Machine sponsors a 401(k) plan through Charles Schwab. Full-time employees become eligible to participate after one year of employment. Change Machine matches 200% of the amount deferred by the employee up to a maximum of 10% of compensation. Retirement expense for the years ended September 30, 2021 and 2020 amounted to \$123,784 and \$132,164, respectively.

13. OPERATING LEASES

Change Machine leases an office space located in Brooklyn, New York. The lease requires monthly payments with annual increase in base rent. The lease term is until July 31, 2024. Lease expense for the years ended September 30, 2021 and 2020 amounted to \$169,569.

The future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 173,624
2023	188,822
2024	<u>161,260</u>
Total	<u>\$ 523,706</u>

14. COVID-19 CONSIDERATIONS

The extent of the impact of COVID-19 on Change Machine’s operations will depend on certain developments, including the duration and spread of the outbreak, and impact on Change Machine’s employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact Change Machine’s operations is uncertain.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2022, the date which the financial statements were available to be issued.