PaymentsFirst, Inc.

Financial Statements

For the Year Ended
December 31, 2018

PaymentsFirst, Inc.

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For the Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PaymentsFirst

We have audited the accompanying financial statements of PaymentsFirst, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2018, 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 of 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 the Organization as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Borland Benefield, P.C.
Birmingham, Alabama
May 23, 2019

PAYMENTSFIRST, INC.

Statement of Financial Position
As of December 31, 2018

Assets		
Current Assets		
Cash and cash equivalents	$	1,049,551
Investments		209,415
Accounts receivable		1,772,072
Prepaid expenses		77,108
Total Current Assets		3,108,146
Intangible assets, net		39,037
Furniture and equipment, net		3,034
Total Assets	$	3,150,217
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	30,913
Bonus payable		193,114
Credit card payable		26,143
Prepaid dues and publications		1,564,213
Other liabilities		2,231
Total Liabilities		1,816,615
Net Assets		
Without donor restrictions		1,333,602
Total Liabilities and Net Assets	$	3,150,217

See accompanying notes to financial statements.

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Statement of Activities
For the Year Ended December 31, 2018

Revenue and Support	
Dues	$ 1,321,683
Risk and compliance	868,072
Education	309,092
Publications	159,650
License automation tool	30,000
Interest income	11,429
Miscellaneous	985
Total Revenue and Support	2,700,911
Expenses	
Program Services and Products	
Payroll and related expenses	1,399,125
Education	99,638
Risk and compliance	92,921
NACHA assessments	79,949
Cost of publications sold	72,267
Meetings and travel	58,799
Member relations	39,626
Total Program Services and Products	1,842,325
Administrative and General	
Payroll and related expenses	599,625
Professional fees	61,812
Rent	52,789
Board expenses	48,012
Depreciation and amortization	35,326
Professional development	35,477
Telephone	34,196
Taxes and licenses	25,758
Office supplies	12,590
Postage	12,451
Insurance	11,752
Marketing	9,237
Meetings and travel	6,533
Uncollectible accounts	5,480
Miscellaneous	840
Total Administrative and General	951,878
Total Expenses	2,794,203
Decrease in Net Assets	(93,292)
Net Assets - Beginning of Year	1,426,894
Net Assets - End of Year	$ 1,333,602

See accompanying notes to financial statements.

PAYMENTSFIRST, INC.

Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows From Operating Activities	
Cash received from dues	$ 1,268,482
Cash received from programs	1,208,149
Cash received from publications	159,650
Cash paid to suppliers and employees	(2,771,274)
Interest received	11,429
Net Cash Flows (Used) by Operating Activities	(123,564)
Cash Flows From Investing Activities	
Purchase of intangibles	(17,765)
Acquisition of property and equipment	(3,271)
Net Cash Flows (Used) by Investing Activities	(21,036)
Net Decrease in Cash	(144,600)
Cash at Beginning of Year	1,194,151
Cash at End of Year	$ 1,049,551

See accompanying notes to financial statements.

Note 1 – Description of Organization and Significant Accounting Policies

Nature of Activities – PaymentsFirst, Inc. (the Organization) is a nonprofit Regional ACH Payment Association for financial institutions and corporate members domiciled in Alabama, Georgia, Tennessee, and South Carolina. The Organization is devoted to providing excellence in Education, Support, and Risk and Compliance services to promote the use, advancement, and understanding of electronic payments. The Organization is supported primarily through the dues of its members.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payable and other liabilities.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets and donor restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Organization does not have any donor restricted net assets.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash held in security accounts are considered part of the investment portfolio.

Accounts Receivable – Receivables are stated at the amount management expects to collect from outstanding balances. Accounts are charged to bad debt expense as they are deemed uncollectible, after periodic reviews of the accounts. During 2018, one vendor account was written off totaling $5,480. At December 31, 2018, management believes no further write offs are necessary and an allowance would be immaterial to the financial statements.

Furniture, Equipment and Depreciation – Property and equipment are carried at cost or, if donated, the fair market value at the time of the donation. Property and equipment are capitalized at cost if the purchase price exceeds $1,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis over estimated useful lives as follows: furniture and fixtures, 5 to 7 years; and computer equipment, 3 to 5 years.

Income Taxes – The Organization is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code; consequently, no provision for income tax has been made. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. During 2018, gross unrelated business income totaled $30,000. Net unrelated business loss was $6,182 and there was not any taxes due.

As of December 31, 2018, the Organization had no uncertain tax positions that qualify for disclosure in the financial statements. The Organization files an annual Form 990 and 990-T with the Internal Revenue Service, and its tax returns for the year 2015 and subsequent years remain subject to examination by tax authorities.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – The preparation of financial statements in conformity with *Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect certain reported amounts in disclosures. Accordingly, actual results could differ from those estimates.

Recent Pronouncements - On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed to net asset without donor restrictions
- The format of the statement of cash flows has been changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the user of our financial statements
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2)

In February 2016, the Financial Accounting Standards Board ("FASB" or "the Board") issued a new leasing standard in ASU 2016-02 ("Topic 842" or "the new standard") for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use ("ROU") assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease's classification. The provisions of this update are effective for fiscal years beginning after December 15, 2019.

Note 2 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date:

Financial assets available to meet cash needs for General expenditures within one year	$ 1,258,966

Note 3 – Cash and Cash Equivalents

The checking account balances at December 31, 2018 totaled, $1,049,551, which approximated the fair value of the account.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. The Organization's cash deposits exceeding the Federal Deposit Insurance Corporation limits at fiscal year ended December 31, 2018 totaled $368,906.

Note 4 – Investments

The Organization's investments carried at cost as of December 31, 2018, are:

	Cost	Effective Duration	Interest Rate
Certificates of deposit	$ 209,415	1 year	0.62%

Note 5 – Furniture and Equipment

Property and equipment consisted of the following at December 31, 2018:

Furniture, fixtures and equipment	$ 104,314
Computer equipment	22,040
Less: Accumulated depreciation	(123,320)
Furniture and Equipment, net	$ 3,034

Depreciation expense recorded for the year ended December 31, 2018 was $25,340

Note 6 – Intangibles

Intangible assets consisted of the following audit and risk assessment software at December 31, 2018:

Computer software	$ 69,725
Less: Accumulated amortization	(30,688)
Intangibles, net	$ 39,037

Amortization Expense recorded for the year end December 31, 2018 was $9,986

Note 7 – Lease Obligations

The Organization rents office space under an operating lease ending at various times through 2021. For the year ended December 31, 2018, rental costs of $52,789 were reflected in the statement of activities. Future minimum lease payments for the years ending December 31:

2019	$ 39,317
2020	19,772
2021	6,634
	$ 65,723

Note 8 – Simplified Employee Pension Plan

The Organization has a simplified employee pension plan covering employees having at least one year of service. Contributions are made by the Organization to those eligible employees' individual retirement accounts. The amount of employer contribution expense amounted to $147,617 for the year ended December 31, 2018.

Note 9 – Transactions with Affiliates

The Organization pays annual member dues to the National Automated Clearing House Association. Dues totaled $80,600 for the year ended December 31, 2018. Management is of the opinion that these transactions were made in accordance with existing regulations and were consummated on terms equivalent to those that prevail in arm's length transactions.

Note 10 – Subsequent Events

The Organization has evaluated subsequent events through May 23, 2019, the date the financial statements were available to be issued.