

Independent Auditor's Report

Members of the General Board
National Alliance of Black School Educators Inc. (NABSE)

We have audited the accompanying financial statements of the National Alliance of Black School Educators Inc. (NABSE) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and 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 ("U.S. GAAP"); 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.

Auditors' 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 auditors' 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 National Alliance of Black School Educators, Inc. (NABSE), as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.


October 20, 2021
Dallas, Texas

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

| | |
|--|---------------------|
| Current Assets: | |
| Cash and Cash Equivalents | \$ 88,827 |
| Accounts Receivable, net | 163,951 |
| Other Current Assets | <u>21,986</u> |
| Total Current Assets | 274,764 |
| Fixed Assets net of accumulated depreciation | <u>919,858</u> |
| Total Assets | <u>\$ 1,403,645</u> |

LIABILITIES AND NET ASSETS

| | |
|--|--------------------|
| Current Liabilities: | |
| Accounts Payable and accrued liabilities | \$ <u>817,846</u> |
| Total Current Liabilities | 817,846 |
| Long-Term Liabilities: | |
| EIDL Loan | 149,900 |
| Mortgage Loan | <u>1,717,000</u> |
| Total Long Term Liabilities | 1,866,900 |
| Total Liabilities | 2,684,046 |
| Net Assets: | |
| Unrestricted | <u>(1,280,401)</u> |
| Total Liabilities and net assets | \$ 1,403,605 |

See accompanying notes to the financial statements

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC

STATEMENTS OF ACTIVITIES

DECEMBER 31, 2020

Revenue

| | |
|------------------------------------|-----------------------|
| Conference Revenue | |
| Registration | \$ <u>93,285</u> |
| Total Conference Revenue | 93,285 |
| Membership | 257,621 |
| Corporate Sponsorship/Contribution | 26,906 |
| Rental Income | 16,568 |
| Career Center | 48,121 |
| Boys & Girls Summit | 5,000 |
| Other Income | <u>1,494</u> |
| Total Revenue | <u>448,995</u> |

Expenses

Program Services

| | |
|-------------------------------|-------------------|
| Conference | <u>974</u> |
| Total Program Services | <u>974</u> |

Supporting Services

| | |
|-----------------------|----------------|
| Management & General | <u>613,684</u> |
| Total Expenses | 614,659 |

| | |
|---|------------------------------|
| Change in Net Assets | (165,664) |
| Net Assets Beginning | (1,326,248) |
| Prior Period Adjustment | 211,511 |
| Net Assets at Beginning of Year as Adjusted | <u>(1,114,737)</u> |
| Net Assets at the End of the Year | <u>\$ (1,280,401)</u> |

See accompanying notes to the financial statements

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
December 31, 2020

| Expenses | Program | | | Total |
|---------------------------------|-------------------|----------------------------|---------------------------------|-------------------|
| | Services | Supporting Services | | |
| | Conference | Building Expenses | Management & General | |
| Property Insurance | \$ - | \$ 4,129 | \$ - | \$ 4,129 |
| Interest Payments | - | 216,275 | - | 216,275 |
| Property Taxes | - | 32,573 | - | 32,573 |
| Accounting Fees | - | - | 45,000 | 45,000 |
| Building Repairs | - | - | - | - |
| Conferences | 975 | - | - | 975 |
| Lodging/Meals | - | - | - | - |
| Consulting | - | - | 204,737 | 204,737 |
| Credit Card Processing | - | - | 3,692 | 3,692 |
| Equipment Rental | - | - | 3,328 | 3,328 |
| IT Services | - | - | 36,310 | 36,310 |
| Legal Counsel | - | - | 10,211 | 10,211 |
| Depreciation | - | 36,128 | 964 | 37,092 |
| Others | - | - | 18,267 | 18,267 |
| Supplies | - | - | 1,095 | 1,095 |
| Total Operating Expenses | \$ 975 | \$ 289,105 | \$ 323,604 | \$ 613,684 |

See accompanying notes to the financial statements

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | | | |
|---|----|--------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | \$ | (165,664) |
| Change in Net Assets | | | |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | |
| Depreciation and Amortization | | | 36,128 |
| Decrease (increase in operating assets: | | | |
| Accounts Receivable | | | (148,307) |
| Other Current Assets | | | (231) |
| Increase (decrease) in liabilities: | | | |
| Accounts Payable and Accrued Liabilities | | | 156,311 |
| Net Cash provided by operating activities | | \$ | <u><u>(121,763)</u></u> |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| EIDL Loan | | | 149,900 |
| Net Cash provided by financing activities | | \$ | <u><u>149,900</u></u> |
| | | | |
| Net Increase (decrease) in cash and cash equivalents | \$ | 28,137 | 28,137 |
| Cash and cash equivalents at beginning of the year | | | 60,690 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | | <u><u>\$ 88,827</u></u> |
| | | | |
| SUPPLEMENTAL INFORMATION: | | | |
| Interest Paid | | \$ | <u><u>216,275</u></u> |

See accompanying notes to the financial statements

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 ORGANIZATION

The National Alliance of Black School Educators, Inc. (NABSE) is a non-profit organization which was established to promote and facilitate the education of all students (black students in particular); to establish a coalition of black educators and others directly or indirectly involved in educational opportunities; to identify and develop black professionals who will assume leadership positions in education; and to influence public policy concerning the education of black people. To achieve this purpose, NABSE publishes and distributes reports, conducts research, and sponsors seminars, conferences and panel discussions with experts in the field of education.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements presented follow the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, Not for Profit Entities - Presentation (FASB ASC 958-205). In accordance with FASB 958-205, NABSE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Fixed Assets - Fixed assets are stated at cost. Fixed assets are depreciated or amortized on a straight-line basis, over their estimated useful lives of thirty years for the building; ten years for the building improvements, five years for furniture and three years for equipment. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation is a non-cash item. Value of assets does not reflect the fair market value of NABSE property.

Cash and Cash Equivalent - NABSE considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Income Tax Status - NABSE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization adopted the provisions of ASC 740-10-05 on January 1, 2009. ASC 740-10-05 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740-10-05, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Organization did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of adopting ASC 740-10-05.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The tax years from 2012 through 2014, are subject to examination by the Internal Revenue Service. The Organization is currently not under any federal or state audits.

Interest and penalties are zero and the Organization's policy is to expense interest and penalties, if any, to income tax expense as incurred. The Organization does not expect any material changes in unrecognized tax benefits in the next twelve months. The Organization has no unrecognized tax benefits as of December 31, 2019.

The net assets are reported in two self-balancing groups as follows:

Unrestricted net assets – include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of NABSE and include both internally designated and undesignated resources.

Temporarily restricted net assets - include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of NABSE 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 and Change in Net Assets as net assets released from restrictions.

Contributions and Grants - Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Accounts Receivable Allowance - NASE reports accounts receivable for member, dues pledges and contribution at net realizable amounts from third-party payers, members and others. The Organization provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions and trends.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 CONCENTRATION OF CREDIT RISK

NABSE's cash balances in financial institutions at times may exceed the federally insured limit of \$250,000. At December 31, 2020, NABSE cash balances at financial institutions did not exceed the federally insured limit.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31, 2020:

| | | |
|--------------------------|----|----------------|
| Conference registration | \$ | 47,116 |
| Corporate Contributions | | 78,277 |
| Membership dues | | 718 |
| Institutional Membership | | 37,840 |
| Total | | <u>163,951</u> |

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2019

| | |
|-----------------------------------|----------------------|
| Land | \$ 333,939 |
| Building and Improvements | 1,308,008 |
| Furniture, Equipment and Software | 97,624 |
| Donated equipment | 92,600 |
| Sub total | <u>1,832,171</u> |
| Less: accumulated depreciation | (912,313) |
| Property and equipment, net | <u>\$ 919,858</u> |

Depreciation expense for the year was \$37,092

NOTE 6 NOTES PAYABLE

Woodbridge Mortgage Investment Fund 3A, LLC, made a commercial term loan (“Loan”) in the amount of \$1,717,000 evidenced by that certain Deed of Trust Note dated July 14, 2016 (“Note”), secured by that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated July 14, 2016 (“Deed of Trust”), securing the Loan against the real property located at 308, 310 and 312 Pennsylvania Avenue S.E., Washington, D.C., further secured by that certain Assignment of Rents and Leases (“Assignment of Rents”), a General Security Agreement (“Security Agreement”) and a Guaranty (“Guaranty”) made by NABSE in favor of Holder (the foregoing and all other documents evidencing the Loan collectively referred to as the Loan Documents”). Woodbridge Mortgage Investment Fund 3A, LLC sold and assigned all of its right, title and interest in the Loan and Loan Documents on September 7, 2016 pursuant to KEYSTONE REAL ESTATE LENDING FUND, L.P (“Holder”).

NABSE and Holder entered into that certain fifth Amendment to Deed of Trust Note on November 30, 2019 whereby the Loan was extended to November 30, 2021 when all amounts outstanding become due.

NOTE 7 LEASE RENTAL INCOME

During 2019 NABSE leased its office building to 3 commercial tenants. One of the leases expired in April 2018 and the tenant has operated under a month-to-month agreement at a monthly rent of \$7,534. The lease was renewed effective September 1, 2019 for a sixty-month term expiring August 30, 2024. The remaining two leases expire in April of 2022 and October, 2022, respectively. Annual rental for these

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 LEASE RENTAL INCOME - (Continued)

leases is \$179,598. Total rental income for 2019 was \$179,598.

NOTE 8 GOING CONCERN - NET DEFICIENCY

During the 2020-year end, NABSE showed a positive trend from operating activities and has begun paying down long outstanding payables and reducing the net asset deficiency. The 2019 conference revenues exceeded expenses by over \$118,828 and building operations basically broke even. Historically the organization has had operating losses, negative cash flows from operations, and working capital deficiencies. The positive trajectory has continued and with new leadership the organization appears headed in the right direction. NABSE has employed a Consulting Executive Director in order to continue to secure funding and sponsorships to enhance the financial stability.

NABSE has also re-launched of the organization structure coupled with the strategic financial plan that has resulted in several added partnerships that will serve as increased revenue generators as well as, additional revenue streams for years to come. Partnerships are also helping to reduce cost and generate exposure with other national organizations as we continue to upgrade our leadership development programs. Through these partnerships and a strategic social media campaign, NABSE has increased our membership database from 2,100 to the current total of over 5,000 educators from across the nation. The 2020 membership report should show a significant increase in revenue generated from membership fees.

The positive financial management and resulting trend indicates that NABSE is able to operate over the next 12 months with projected revenues from increased membership, sponsorship and the capital campaign expected to continue to exceed the organizational expenses. In addition, NABSE is in the process of refinancing the NABSE national office which has an appraised value of \$3.8 million. The refinance and possible sale of the building will increase the funding available to carry out the continued vision and mission of the organization. The strategic financial decisions are expected to ensure that NABSE remains on a positive financial path.

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 LEGAL SETTLEMENT

On February 23, 2018 the Superior Court of the District of Columbia issued a judgment by consent order requiring that NABSE pay \$300,000 plus interest and court costs to a former employee in accordance with a Settlement Agreement and Mutual Release dated February 6, 2018 entered into by the two parties related to an employment action. The judgment included a one-year stay of enforcement which expired February 23, 2019. This judgment is a second priority lien on NABSE's building. All amounts are due and owing and are recorded as a payable and an extraordinary item in these financial statements. As of October 30, 2019 no action has been taken by the plaintiff to enforce its priority lien position.

NOTE 10 RELATED PARTY TRANSACTIONS

There are no related party transactions as of December 31, 2020.

NOTE 11 PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$211,511 was necessary to address opening balance issues in the 2019 financial statements. The major component of the prior period adjustment was due to items identified after previously audited financials were released..

NOTE 13 SUBSEQUENT EVENTS

In preparing these financial statements, Management evaluated events and transactions for potential recognition through April 30, 2021, the date the financial statements were available to be issued.