

BALANCE SHEET SOLUTIONS, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017
(With Independent Auditor's Report Thereon)

BALANCE SHEET SOLUTIONS, LLC

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Independent Auditor's Report

February 22, 2019

To the Sole Manager
of Balance Sheet Solutions, LLC

Report on the Financial Statements

We have audited the accompanying statements of financial condition of Balance Sheet Solutions, LLC as of December 31, 2018 and 2017, and the related notes to the statements of financial condition.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these statements of financial condition 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 statements of financial condition that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements of financial condition 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 audits to obtain reasonable assurance about whether the statements of financial condition are free from material misstatement.

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

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 statements of financial condition referred to above present fairly, in all material respects, the financial position of Balance Sheet Solutions, LLC as of December 31, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

Doeren Mayhew

Doeren Mayhew
Miami, FL

BALANCE SHEET SOLUTIONS, LLC

STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2018 AND 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash	\$2,593,765	\$13,951,274
Accounts receivable	791,203	784,219
Prepaid and other assets	236,811	126,006
Total assets	<u>\$3,621,779</u>	<u>\$14,861,499</u>
 <u>Liabilities and Equity</u> 		
Liabilities:		
Accrued expenses and other liabilities	\$912,340	\$1,139,530
Total liabilities	<u>912,340</u>	<u>1,139,530</u>
Equity:		
Contributed capital	850,000	850,000
Retained earnings	1,859,439	12,871,969
Total equity	<u>2,709,439</u>	<u>13,721,969</u>
Total liabilities and equity	<u>\$3,621,779</u>	<u>\$14,861,499</u>

See accompanying notes to the statements of financial condition.

BALANCE SHEET SOLUTIONS, LLC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1 - Nature of Business and Significant Accounting Policies

Organization

Balance Sheet Solutions, LLC (the Company) was formed on October 10, 2002, as an Illinois limited liability company. The Company is an investment advisory registered with the Securities and Exchange Commission. The Company is a wholly owned subsidiary of Alloya Corporate Federal Credit Union (Alloya). The Company offers securities transactions through an alliance with CU Investment Solutions (ISI), a member of Financial Industry Regulation Authority (FINRA) and Securities Investor Protection Corporation (SIPC), and nondiscretionary investment advisory services to its customers, principally credit unions. The Company also solicits time deposits for financial institutions through the SimpliCD program. In addition, the Company provides ALM Risk Modeling and ancillary services as well as investment accounting and analytical services to credit unions. The Company operates a main office in Illinois, with service branches in California, Michigan, New York, and Colorado.

The Company operated under the provisions of Paragraph (k)(2)(I) of Rule 15c3-3 of the SEC and, accordingly, was exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(I) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a broker dealer. The clearing broker dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker dealer. The broker dealer handles all operations and is the designated clearing agent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP/USA) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of reporting cash flows, cash includes amounts due from Alloya which may, at times, exceed federally insured limits.

BALANCE SHEET SOLUTIONS, LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The Company reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Payable to Parent Company

The Company operates under a Master Services Agreement with Alloya. The payable to the parent company represents corporate support service expenses due to Alloya. The payable to parent company of approximately \$87,000 and \$239,000, respectively, is included with accrued expenses and other liabilities in the statements of financial condition as of December 31, 2018 and 2017.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are mainly comprised of funds due to employees for compensation and benefits and certain other accrued expenses.

Prepaid and Other Assets

Prepaid and other assets primarily consist of prepaid software expense. Prepaid assets are amortized using the straight-line method over the life of the assets.

Accounts Receivable

Accounts receivable primarily consist of fee billings for services performed and commissions on sales.

Dividend Distribution

In April 2018, the Company made a \$10,000,000 dividend distribution to Alloya.

Going Concern

Despite the net losses recognized during the past few years, management has determined that the Company will continue as a going concern as the Company has sufficient capital to sustain losses and profitability is expected on a go forward basis. Additionally, it has the full financial support of its parent company, Alloya, which is prepared to inject capital as needed to ensure the Company can continue to operate until such time that the Company reports positive net income.

BALANCE SHEET SOLUTIONS, LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Income Taxes

As a single-member limited liability company (LLC), the Company is a flow-through entity, which provides that the LLC passes on all income and expenses to its parent company to be taxed at the parent company level. Alloya is a federally chartered credit union regulated by the National Credit Union Administration, with no tax liability under state or federal laws for itself and all subsidiaries, including the Company. There is one exception to this exemption with regard to revenue generated by the Company within the state of California. Specifically, the Company pays a California LLC tax as well as an LLC fee annually.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Subsequent Events

Management has evaluated subsequent events through February 22, 2019, the date the financial statements were available to be issued. During December 2018, the Company and Alloya announced intentions to sell the ALM risk modeling and investment advisory services provided by the Company.

Note 2 - Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2018 and 2017 by major classification as follows:

	<u>2018</u>	<u>2017</u>
Computer equipment and software	\$71,830	\$93,710
Less accumulated depreciation and amortization	(71,830)	(93,710)
	<u>\$-</u>	<u>\$-</u>

Depreciation and amortization charged to operations was approximately \$4,000 for the year ended December 31, 2017. There was no depreciation and amortization expense for the year ended December 31, 2018.

BALANCE SHEET SOLUTIONS, LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 3 - Employee Benefits

The employees of the Company participate in a 401(k) benefit plan sponsored by Alloya. Employee contributions are matched by the Company at a rate equal to 100 percent of the first four percent of compensation contributed. In addition, the Board of Directors of the parent company may approve a discretionary profit sharing contribution for eligible employees on an annual basis. The total savings plan expenses were approximately \$148,000 and \$151,000 for the years ended December 31, 2018 and 2017, respectively.

Note 4 - Related Party Transactions

Under a Master Services Agreement, the Company, as an agent for Alloya, provides marketing services and introduces financial products to Alloya's members as well as provides certain other investment services. Fee income paid by Alloya to the Company for services performed under these agreements was \$1,332,000 and \$36,000 for the years ended December 31, 2018 and 2017, respectively.

The Master Services Agreement calls for Alloya to provide certain corporate support services to the Company such as telecommunication service, office rental, and treasury and accounting support. The Company incurred approximately \$2,645,000 and \$1,733,000 for these support services and costs for the years ended December 31, 2018 and 2017, respectively.

* * * End of Notes * * *