

---

---

# **MISSION ASSET FUND**

## **FINANCIAL STATEMENTS**

**December 31, 2018**

**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)**

---

---

**CROSBY & KANEDA**

Certified Public Accountants  
for Nonprofit Organizations

# MISSION ASSET FUND

## Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-17

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Mission Asset Fund  
San Francisco, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Mission Asset Fund, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses 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.

**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 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 Mission Asset Fund as of December 31, 2018, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Mission Asset Fund's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Crosby & Lameda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

May 1, 2019

**MISSION ASSET FUND**

**Statement of Financial Position  
December 31, 2018**

**(With Comparative Totals as of December 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 6,044,528	\$ 4,820,336
Accounts and grants receivable	179,437	290,068
Program receivables, net (Note 3)	333,326	327,234
Prepaid expenses	112,759	81,926
Total Current Assets	<u>6,670,050</u>	<u>5,519,564</u>
Software and equipment, net (Note 4)	297,379	205,401
Deposits	<u>15,000</u>	<u>12,500</u>
Total Assets	<u>\$ 6,982,429</u>	<u>\$ 5,737,465</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 77,577	\$ 26,482
Accrued paid time off	88,777	81,972
Program payables (Note 5)	151,770	182,819
Program loan payable, current (Note 6)	112,500	-
Deferred revenue	87,751	98,218
Total Current Liabilities	<u>518,375</u>	<u>389,491</u>
Program loan payable (Note 6)	-	112,500
Partner funds held (Note 7)	<u>198,485</u>	<u>178,892</u>
Total Liabilities	<u>716,860</u>	<u>680,883</u>
Commitments and Contingencies (Notes 8 and 9)		
Net Assets		
Without donor restrictions (Note 10)	3,634,320	2,134,884
With donor restrictions (Note 11)	2,631,249	2,921,698
Total Net Assets	<u>6,265,569</u>	<u>5,056,582</u>
Total Liabilities and Net Assets	<u>\$ 6,982,429</u>	<u>\$ 5,737,465</u>

See Notes to the Financial Statements

**MISSION ASSET FUND**

**Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2018	2017
<b>Support and Revenue</b>				
Support				
Foundation	\$ 901,908	\$ 3,960,010	\$ 4,861,918	\$ 6,212,874
Government	431,085		431,085	287,640
Corporate	32,663	27,000	59,663	406,421
Individual	60,997		60,997	112,366
Total Support	<u>1,426,653</u>	<u>3,987,010</u>	<u>5,413,663</u>	<u>7,019,301</u>
Revenue				
Program service and license fees	253,884		253,884	341,921
Conference, seminar and other	10,679		10,679	34,397
Interest	2,712		2,712	1,608
Total Revenue	<u>267,275</u>	<u>-</u>	<u>267,275</u>	<u>377,926</u>
Support provided by expiring time and purpose restrictions (Note 11)	<u>4,277,459</u>	<u>(4,277,459)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>5,971,387</u>	<u>(290,449)</u>	<u>5,680,938</u>	<u>7,397,227</u>
<b>Expenses</b>				
Program	3,794,140		3,794,140	4,487,552
Management and general	369,902		369,902	449,109
Fundraising	307,909		307,909	303,064
Total Expenses	<u>4,471,951</u>	<u>-</u>	<u>4,471,951</u>	<u>5,239,725</u>
Change in net assets	1,499,436	(290,449)	1,208,987	2,157,502
Net Assets, beginning of year	<u>2,134,884</u>	<u>2,921,698</u>	<u>5,056,582</u>	<u>2,899,080</u>
Net Assets, end of year	<u>\$ 3,634,320</u>	<u>\$ 2,631,249</u>	<u>\$ 6,265,569</u>	<u>\$ 5,056,582</u>

See Notes to the Financial Statements

**MISSION ASSET FUND**

**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for the Year Ended December 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,208,987	\$ 2,157,502
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	57,125	96,486
Change in assets and liabilities:		
Accounts and grants receivable	110,631	462,524
Program receivables	(6,092)	(5,579)
Prepaid expenses	(30,833)	(8,102)
Deposits	(2,500)	(2,500)
Accounts payable	51,095	(15,828)
Accrued paid time off	6,805	25,299
Program payables	(31,049)	(19,297)
Partner funds held	19,593	(15,228)
Deferred revenue	(10,467)	14,906
Net cash provided (used) by operating activities	<u>1,373,295</u>	<u>2,690,183</u>
<b>Cash flows from investing activities</b>		
Internally developed software	(146,387)	(107,173)
Purchase of fixed assets	(2,716)	(7,274)
Net cash provided (used) by investing activities	<u>(149,103)</u>	<u>(114,447)</u>
<b>Cash flows from financing activities</b>		
Repayment of loan	-	(37,500)
Net cash provided (used) by financing activities	<u>-</u>	<u>(37,500)</u>
Net change in cash	1,224,192	2,538,236
Cash and cash equivalents, beginning of year	<u>4,820,336</u>	<u>2,282,100</u>
Cash and cash equivalents, end of year	<u>\$ 6,044,528</u>	<u>\$ 4,820,336</u>

See Notes to the Financial Statements

**MISSION ASSET FUND**

**Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

	Program	Management		Total	
		and General	Fundraising	2018	2017
Salaries	\$ 1,422,751	\$ 214,735	\$ 145,178	\$ 1,782,664	\$ 1,474,923
Retirement contributions	47,230	4,969	4,997	57,196	41,333
Employee benefits	137,042	26,715	17,765	181,522	193,949
Payroll taxes	115,359	18,737	12,185	146,281	128,298
Total Personnel	<u>1,722,382</u>	<u>265,156</u>	<u>180,125</u>	<u>2,167,663</u>	<u>1,838,503</u>
Grants and scholarships	1,065,542	-	-	1,065,542	2,491,840
Contract and professional services	53,117	29,072	77,260	159,449	132,457
Office expense and supplies	142,417	18,225	13,022	173,664	112,012
Information technology	271,662	11,751	9,540	292,953	245,239
Occupancy	144,917	15,790	10,726	171,433	119,366
Travel and meals	39,823	2,376	3,017	45,216	28,290
Depreciation and amortization	51,889	4,169	1,067	57,125	96,486
Insurance	2,829	8,704	296	11,829	9,113
Dues, licenses, service fees	103,371	7,794	6,328	117,493	75,738
Bad debt	-	-	-	-	23,208
Conference and seminars	192,685	6,268	4,498	203,451	22,465
Other expenses	3,506	597	2,030	6,133	45,008
Total Expenses	<u>\$ 3,794,140</u>	<u>\$ 369,902</u>	<u>\$ 307,909</u>	<u>\$ 4,471,951</u>	<u>\$ 5,239,725</u>

See Notes to the Financial Statements



## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)

---

#### NOTE 1: NATURE OF ACTIVITIES

Mission Asset Fund (the Organization) is a nonprofit, tax-exempt organization founded in 2007. The Organization is dedicated to creating a fair financial marketplace for hardworking families by expanding access to responsible financial products for low-income and immigrant communities. Program activities include

##### **Lending Circles**

In 2008, the Organization launched the Lending Circles social loan program, introducing a new strategy for building credit and assets among low-income people. The Organization now offers a suite of innovative financial products and services that enable low-income families to build credit, reduce debt, and improve their economic security.

The Organization provides Lending Circles through both direct programs in California and across the U.S. through a nationwide network of nonprofit partners. These programs have been widely acclaimed for their impact, helping thousands of participants receive zero-interest loans, enabling them to build credit and save for critical life goals.

##### **Immigration Loans**

In 2017 the Organization expanded the portfolio of programs to include a zero-interest immigration loan program and scholarships to help individuals cover the cost of citizenship applications, Deferred Action for Childhood Arrivals (DACA), green card and other immigration related fees. In addition, the Organization launched MyMAF, a mobile application where users are accessing pathways to financial empowerment through vast digital financial education and coaching library.

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Net assets without donor restrictions* – are resources available to support operations. The only limits on the use of the 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.

*Net assets with donor restrictions* – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)

---

accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in perpetual trust held by a bank or trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

#### **Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments, if any, increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

#### **Accounting for Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

#### **License and Service Fees**

The Organization licenses its lending circle platform to partner organizationS to expand the reach of its program activities. In addition, the Organization provides technical training for use of the platform and deployment of the lending circles model. Revenue for these activities is recognized over the license period or period of provided service.

#### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d).

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)

---

The Organization has evaluated its current tax positions as of December 31, 2018 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

#### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2018.

#### **Restricted Cash**

Certain cash amounts held by the Organization as loan loss reserve funds are restricted. As of December 31, 2018 and 2017, such restricted cash totaled \$49,237 and \$59,515, respectively.

#### **Contributions Receivable**

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. The Organization considers all contributions receivable to be fully collectible at December 31, 2018. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

#### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)

---

#### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no material assets or liabilities recorded at fair value on December 31, 2018.

#### **Concentration of Credit Risk**

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

#### **Deferred Revenue**

Deferred revenue consists of licensing and other fees received in advance of the related period of performance by the Organization.

#### **Scholarships**

The Organization manages a Deferred Action for Childhood Arrivals scholarships program and accounts for such scholarships by recording an expense based on the date of final scholarship approval. The Organization limits scholarships payable by issuing scholarships checks daily based on approved amounts. In certain cases recipients may indicate they do not expect to use their scholarship and wish for funds to be re-used for another award. The Organization recognizes such returned funds once a scholarship check is returned as a reduction to grant expense, at which time such funds become available for re-granting. In addition, the Organization may void awards not used after 12 months.

#### **Sponsorships and Conference Expense**

The Organization hosts a biennial program conference which receives sponsorships from various entities. Such sponsorships are received in fiscal years in which the conference is held. During the year ended December 31, 2018, the Organization postponed its conference as a result of labor action at the conference venue. As a result, the Organization incurred certain non-refundable expenses without the benefit of the related release of net assets from donor restriction.

#### **Software and Equipment**

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)

---

straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Software – social lending platform	2 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable

#### **Expense Recognition and Allocation**

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries & related expenses – based on individual staff allocations to functional areas, reviewed annually and updated on an ongoing basis.

Conference, Travel and Meeting – allocated based on purpose of travel or to the program benefiting from the training, conference or seminars.

Facility & Equipment – allocated based on a specific program or grant use

Professional Service – allocated to program benefiting from the service

Supplies and office expenses – Expenses used for a specific program will be charged directly to that program. Other costs are allocated based on the shared cost allocation plan.

Shared costs – goods and services that are shared by multiple departments are allocated to Program, Management and General, and Fundraising functional areas based on the allocation of staff time to the related areas.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for the Year Ended December 31, 2017)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

#### Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

#### Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 1, 2019 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

#### Changes in Accounting Principles

The Organization implemented Accounting Standards Update (ASU) 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a disclosure about liquidity and availability of resources (Note 14).

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,134,884	\$ -
Temporarily restricted net assets	2,921,698	-
Net assets without donor restrictions	-	2,134,884
Net assets with donor restrictions	-	2,921,698
Total	<u>\$ 5,056,582</u>	<u>\$ 5,056,582</u>

**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

**NOTE 3: PROGRAM RECEIVABLES**

Program receivables consisted of the following for the years ending December 31:

	<u>2018</u>	<u>2017</u>
Lending Circles receivables	\$ 171,205	212,253
Direct lending receivables	187,478	149,773
Less allowance for doubtful accounts	<u>(25,357)</u>	<u>(34,792)</u>
Total	<u>\$ 333,326</u>	<u>\$ 327,234</u>

**Lending Circles Receivables**

Lending Circles participants each sign a Promissory Note for a credit-building loan, committing to regular payments to the Organization and a specified date for loan disbursement. The Organization services and disburses the loans, ensuring each participant receives their loan at the specified time. The Organization also collects loan payments and reports to the credit bureaus, as outlined in the Promissory Note. Certain Lending Circles programs may include match funding from the Organization or its partners. The Organization bears the risk of loss in the event a participant is unable to complete their commitment. For partner programs the Organization may be reimbursed for such losses by the partner. Lending Circles receivable balances consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Organization	\$ 55,670	\$ 72,149
Partner	<u>115,535</u>	<u>140,104</u>
Total	<u>\$ 171,205</u>	<u>\$ 212,253</u>

**Direct Lending Receivables**

The Organization and its partners carry out certain micro, immigration and small business lending programs. To qualify, participants generally must meet certain criteria such as participation in a Lending Circles program for a period of time. Micro and direct loan program receivables consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Organization	\$ 127,248	\$ 72,196
Partner	<u>60,230</u>	<u>77,577</u>
Total	<u>\$ 187,478</u>	<u>\$ 149,773</u>

**Allowance for Doubtful Accounts**

Activity related to the allowance for doubtful accounts was as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Balance, beginning of period	\$ 34,792	\$ 11,223
Loans charged off	(9,435)	(3,336)
Current period provision	<u>-</u>	<u>26,905</u>
Total	<u>\$ 25,357</u>	<u>\$ 34,792</u>

**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

**Payment Status**

The Organization monitors program receivables on a monthly basis for credit reporting purposes. The Organization segments balances into aging categories of current, past due and delinquent. The balance for each loan is classified based on the most aged portion of amounts due. Payment status for program receivable balances was as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Current (0 - 30 days)	91%	95%
Past Due (31 – 90 days)	4%	4%
Delinquent (91+ days)	<u>5%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

**Troubled Debt Restructuring**

A restructuring of a debt constitutes a troubled debt restructuring if the creditor, based on the debtor's financial difficulties, grants a concession to the debtor regarding payment terms. The Organization carries out such restructurings in conversation with borrowers, and following restructuring and compliance with revised payment agreements the payment status of such loan may become current. Restructured loan balances consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Restructured loan balances	45,930	21,402
Restructured as % of total balances outstanding	14%	7%

**NOTE 4: SOFTWARE AND EQUIPMENT**

Property, software and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 31,910	\$ 31,910
Computer equipment	61,575	58,860
Software – social lending platform	719,768	573,380
Less accumulated depreciation and amortization	<u>(515,874)</u>	<u>(458,749)</u>
Total	<u>\$ 297,379</u>	<u>\$ 205,401</u>

**NOTE 5: PROGRAM PAYABLES**

As part of the lending circle and other loan programs, the Organization and its partners have made certain payment commitments to Lending Circles participants. Lending Circle and other program payables consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Lending circle - Organization	\$ 47,620	\$ 61,520
Lending circle - Partner	101,685	115,500
Other program payables	<u>2,465</u>	<u>5,799</u>
Total	<u>\$ 151,770</u>	<u>\$ 182,819</u>



**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

---

**NOTE 6: PROGRAM LOAN PAYABLE**

The Organization received a program loan of \$150,000 in 2015 from a foundation funder. The unsecured loan bears no interest and matures January 2019. Management has evaluated the donative portion of the below market rate interest rate and determined adjustments for the donative element would not be material to the financial statements. \$37,500 of the loan was paid in 2017 with the remaining balance of \$112,500 due on maturity.

**NOTE 7: PARTNER FUNDS HELD**

Partner funds held consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Partner loan loss reserve funds	\$ 49,237	\$ 59,515
Partner match and revolving loan funds	<u>149,248</u>	<u>119,377</u>
Total	<u>\$ 198,485</u>	<u>\$ 178,892</u>

Partner loan loss reserve funds

The Organization partners with other nonprofit entities to operate peer Lending Circles. As part of those partnerships, the Organization may require partners to maintain a loan loss reserve fund to cover potential Lending Circles delinquencies, fees and defaults by Lending Circles participants.

Partner match and revolving loan funds

Partner revolving loan funds are provided by partner organizations for use in lending to partner loan program participants. The use of these funds is governed by terms outlined in a memorandum of understanding with such partners. In addition, the Organization holds partner match funds which may be used to supplement loans made to program participants.

**NOTE 8: COMMITMENTS**

**Operating Leases**

The Organization is party to a lease for office space in San Francisco, California which expires August 2021 with an option to renew for three years, as well as a second office under a month to month lease. Future minimum operating lease payments are as follows for the years ended December 31:

2019	\$ 84,912
2020	87,460
2021	<u>59,464</u>
Total	<u>\$ 231,836</u>

Rent for the years ended December 31, 2018 and 2017 was \$125,997 and \$85,540, respectively.

**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

**NOTE 9: CONTINGENCIES**

**Compliance with Donor Restrictions**

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization have complied with the terms of all grants.

**NOTE 10: NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's net assets without donor restrictions consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 1,584,320	\$ 1,629,483
Designated - software and equipment	500,000	205,401
Designated - revolving loan fund & loan loss	650,000	-
Designated - reserve	<u>900,000</u>	<u>300,000</u>
Total	<u>\$ 3,634,320</u>	<u>\$ 2,134,884</u>

**NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Specific programs	\$ 675,000	\$ 2,054,417
Capacity building	-	536,031
Restricted for future use	<u>1,956,249</u>	<u>331,250</u>
Total	<u>\$ 2,631,249</u>	<u>\$ 2,921,698</u>

Net assets with donor restrictions were released from donor restriction by incurring expenses satisfying purposes specified by donors as follows for the years ending December 31:

	<u>2018</u>	<u>2017</u>
Specific programs	\$ 1,891,959	\$ 4,052,021
Capacity building	1,142,281	302,214
Passage of time	<u>1,243,219</u>	<u>150,000</u>
Total	<u>\$ 4,277,459</u>	<u>\$ 4,504,235</u>

**NOTE 12: PROFESSIONAL EMPLOYER ORGANIZATION**

The Organization contracts for staffing services using a professional employer organization (PEO). The PEO bills the Organization for the costs of staffing, benefits and other services and the Organization presents these amounts according to their underlying natural classification on the statement of functional expense.

**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)**

---

**NOTE 13: RETIREMENT BENEFITS**

The Organization offers a 401(k) retirement plan (the Plan) covering all employees offered through the Organization's PEO. The Plan is a multiple employer defined contribution plan, which means that 2 or more employers participate under the Plan. The Organization matches 100% of employee contributions with the Organization contribution limited to 4% of an employee's salary. Plan contributions incurred by the Organization for the years ended December 31, 2018 and 2017 were \$57,196 and \$41,333, respectively.

**NOTE 14: CONDITIONAL PROMISES TO GIVE**

In addition to the activity on the financials, the Organization may receive grants with future payments subject to certain conditions, performance barriers or rights of revocation. It is the Organization's policy to defer revenue recognition of conditional amounts until such conditions have been satisfied. As of December 31, 2018, conditional grants outstanding consisted of the following:

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>	<u>Condition</u>
Grant I	\$1,000,000	\$500,000	\$500,000	Program performance
Grant II	\$200,000	\$100,000	\$100,000	Program performance

The Organization expects to meet the conditions of the above grants during the year ended December 31, 2019.

**NOTE 15: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:	
Cash and cash equivalents	\$ 6,044,528
Accounts and grants receivable	179,437
Program receivables	<u>333,326</u>
Total financial assets	\$ 6,557,291
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 10)	<u>(675,000)</u>
Amount available for general expenditures within one year	<u>\$ 5,882,291</u>

As part of the Organization's liquidity management plan, the Organization insures that sufficient cash is maintained in the Organization's operating accounts to meet the Organization's expected cash needs, which including lending circle activity and scholarship awards. Excess funds may be invested in money market accounts.