
MISSION ASSET FUND

FINANCIAL STATEMENTS

December 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

MISSION ASSET FUND

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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, 2017, 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, 2017, and the results of its operations 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Lanida CPAs LLP

Oakland, California

May 22, 2018

MISSION ASSET FUND

Statement of Financial Position

December 31, 2017

(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,820,336	\$ 2,282,100
Accounts and grants receivable	290,068	752,592
Program receivables (Note 3)	327,234	321,655
Prepaid expenses	81,926	73,824
Total Current Assets	<u>5,519,564</u>	<u>3,430,171</u>
Software and equipment, net (Note 4)	205,401	187,440
Deposits	<u>12,500</u>	<u>10,000</u>
Total Assets	<u>\$ 5,737,465</u>	<u>\$ 3,627,611</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 26,482	\$ 42,310
Accrued paid time off	81,972	56,673
Program payables (Note 3)	182,819	202,116
Program loan payable, current (Note 5)	-	37,500
Deferred revenue	98,218	83,312
Total Current Liabilities	<u>389,491</u>	<u>421,911</u>
Program loan payable (Note 5)	112,500	112,500
Partner funds held (Note 6)	<u>178,892</u>	<u>194,120</u>
Total Liabilities	<u>680,883</u>	<u>728,531</u>
Commitments and Contingencies (Notes 7 and 8)		
Net Assets		
Unrestricted		
Undesignated	1,629,483	662,207
Invested in software and equipment	205,401	187,440
Board designated reserve	300,000	300,000
Total Unrestricted	<u>2,134,884</u>	<u>1,149,647</u>
Temporarily restricted (Note 9)	<u>2,921,698</u>	<u>1,749,433</u>
Total Net Assets	<u>5,056,582</u>	<u>2,899,080</u>
Total Liabilities and Net Assets	<u>\$ 5,737,465</u>	<u>\$ 3,627,611</u>

See Notes to the Financial Statements

MISSION ASSET FUND

**Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Support and Revenue				
Support				
Foundation	\$ 942,795	\$ 5,270,079	\$ 6,212,874	\$ 890,553
Corporate		406,421	406,421	340,810
Government	287,640		287,640	180,000
Sponsorships			-	68,543
Individual	109,566		109,566	16,744
In-kind goods and services	2,800		2,800	6,459
Total Support	<u>1,342,801</u>	<u>5,676,500</u>	<u>7,019,301</u>	<u>1,503,109</u>
Revenue				
Program service fees	123,995		123,995	90,056
License fees	217,926		217,926	53,465
Interest	1,608		1,608	1,363
Conference and seminar	16,915		16,915	18,915
Other	17,482		17,482	12,706
Total Revenue	<u>377,926</u>	<u>-</u>	<u>377,926</u>	<u>176,505</u>
Net assets released from donor restriction (Note 9)	<u>4,504,235</u>	<u>(4,504,235)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>6,224,962</u>	<u>1,172,265</u>	<u>7,397,227</u>	<u>1,679,614</u>
Expenses				
Program	4,487,552		4,487,552	1,987,081
Management and general	449,109		449,109	365,391
Fundraising	303,064		303,064	255,995
Total Expenses	<u>5,239,725</u>	<u>-</u>	<u>5,239,725</u>	<u>2,608,467</u>
Change in net assets	985,237	1,172,265	2,157,502	(928,853)
Net Assets, beginning of year	<u>1,149,647</u>	<u>1,749,433</u>	<u>2,899,080</u>	<u>3,827,933</u>
Net Assets, end of year	<u>\$ 2,134,884</u>	<u>\$ 2,921,698</u>	<u>\$ 5,056,582</u>	<u>\$ 2,899,080</u>

See Notes to the Financial Statements

MISSION ASSET FUND

Statement of Cash Flows For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 2,157,502	\$ (928,853)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	96,486	147,371
Loss on disposition	-	997
Change in assets and liabilities:		
Accounts and grants receivable	462,524	648,756
Program receivables	(5,579)	(47,682)
Prepaid expenses	(8,102)	(13,701)
Deposits	(2,500)	-
Accounts payable	(15,828)	(6,570)
Accrued paid time off	25,299	20,398
Program payables	(19,297)	33,872
Partner funds held	(15,228)	54,616
Deferred revenue	14,906	83,312
Net cash provided (used) by operating activities	<u>2,690,183</u>	<u>(7,484)</u>
Cash flows from investing activities		
Internally developed software	(107,173)	(102,361)
Purchase of fixed assets	(7,274)	(7,262)
Net cash provided (used) by investing activities	<u>(114,447)</u>	<u>(109,623)</u>
Cash flows from financing activities		
Repayment of loan	(37,500)	-
Net cash provided (used) by financing activities	<u>(37,500)</u>	<u>-</u>
Net change in cash	2,538,236	(117,107)
Cash and cash equivalents, beginning of year	<u>2,282,100</u>	<u>2,399,207</u>
Cash and cash equivalents, end of year	<u>\$ 4,820,336</u>	<u>\$ 2,282,100</u>

See Notes to the Financial Statements

MISSION ASSET FUND

**Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

	Program	Management and General	Fundraising	Total	
				2017	2016
Salaries	\$ 1,055,181	\$ 263,833	\$ 155,909	\$ 1,474,923	\$ 1,261,432
Retirement contributions	30,410	5,753	5,170	41,333	42,006
Employee benefits	137,599	37,715	18,635	193,949	140,234
Payroll taxes	91,894	23,056	13,348	128,298	102,557
Total Personnel	<u>1,315,084</u>	<u>330,357</u>	<u>193,062</u>	<u>1,838,503</u>	<u>1,546,229</u>
Grants and scholarships	2,491,840	-	-	2,491,840	-
Contract and professional services	59,365	3,692	46,845	109,902	72,604
Accounting	-	17,830	-	17,830	38,925
Legal	-	4,725	-	4,725	11,166
Marketing and communication	1,371	-	1,370	2,741	3,289
Office expense and supplies	89,488	12,191	7,592	109,271	81,327
Information technology	190,499	35,883	18,857	245,239	207,325
Occupancy	85,557	21,289	12,520	119,366	101,840
Travel and meals	21,049	1,037	6,204	28,290	67,874
Conference registration	4,565	563	451	5,579	13,132
Depreciation and amortization	91,836	2,928	1,722	96,486	147,371
Insurance	93	9,006	14	9,113	6,923
Lending Circle matches	45,374	-	-	45,374	22,121
Loan servicing fees	30,364	-	-	30,364	39,307
Client events and workshops	2,772	-	-	2,772	3,958
Bad debt expense	23,208	-	-	23,208	14,182
Conference and seminars	8,471	-	5,643	14,114	170,035
Other expenses	26,616	6,808	8,784	42,208	60,859
In-kind services	-	2,800	-	2,800	-
Total Expenses	<u>\$ 4,487,552</u>	<u>\$ 449,109</u>	<u>\$ 303,064</u>	<u>\$ 5,239,725</u>	<u>\$ 2,608,467</u>

See Notes to the Financial Statements

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

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.

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.

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).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2017.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially

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Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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). The Organization has evaluated its current tax positions as of December 31, 2017 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.

Restricted Cash

Certain cash amounts held by the Organization as loan loss reserve funds are restricted. As of December 31, 2017 and 2016, such restricted cash totaled \$59,515 and \$79,040, respectively.

Grants Receivable

The Organization considers all grants receivable to be fully collectible at December 31, 2017. Accordingly, no allowance for doubtful grant receivables 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

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Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

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.

Investment Activity

The Organization accounts for investment activity based on trade date.

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, 2017.

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.

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Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

Sponsorships

The Organization hosts a bi-annual program conference which receives sponsorships from various entities. Such sponsorships are received in fiscal years in which the conference is held.

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 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	5 years
Software – social lending platform	3 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.

Functional Allocation of Expenses

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

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, 2016, 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 22, 2018 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

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**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

NOTE 3: PROGRAM RECEIVABLES

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

	<u>2017</u>	<u>2016</u>
Lending Circles receivables	\$ 240,093	\$ 254,738
Direct lending receivables	121,933	78,140
Less: allowance for doubtful accounts	<u>(34,792)</u>	<u>(11,223)</u>
Total	<u>\$ 327,234</u>	<u>\$ 321,655</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>2017</u>	<u>2016</u>
Organization	\$ 90,044	\$ 118,782
Partner	<u>150,049</u>	<u>135,956</u>
Total	<u>\$ 240,093</u>	<u>\$ 254,738</u>

Lending Circles Payable

As part of the lending circles program, the Organization and its partners have made certain payment commitments to Lending Circles participants.

Lending Circles payables consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Organization	\$ 66,961	\$ 82,233
Partner	<u>115,858</u>	<u>119,883</u>
Total	<u>\$ 182,819</u>	<u>\$ 202,116</u>

Direct Lending Receivables

The Organization and its partners carry out certain micro 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>2017</u>	<u>2016</u>
Organization	\$ 54,300	\$ 38,936
Partner	<u>67,633</u>	<u>39,204</u>
Total	<u>\$ 121,933</u>	<u>\$ 78,140</u>

MISSION ASSET FUND

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Allowance for Doubtful Accounts

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of period	\$ 11,223	\$ 8,812
Loans charged off	(3,336)	(10,774)
Current period provision	<u>26,905</u>	<u>13,185</u>
Total	<u>\$ 34,792</u>	<u>\$ 11,223</u>

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>2017</u>	<u>2016</u>
Current (0 - 30 days)	95%	97%
Past Due (31 – 90 days)	4%	2%
Delinquent (91+ days)	<u>1%</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. As of December 31, 2017 28 loans totaling \$21,402 in Lending Circle receivables outstanding had been restructured.

NOTE 4: SOFTWARE AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 31,910	\$ 27,192
Computer equipment	58,860	68,184
Software – social lending platform	573,380	466,206
Less: accumulated depreciation and amortization	<u>(458,749)</u>	<u>(374,142)</u>
Total	<u>\$ 205,401</u>	<u>\$ 187,440</u>

NOTE 5: 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.

MISSION ASSET FUND

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

NOTE 6: PARTNER FUNDS HELD

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

	<u>2017</u>	<u>2016</u>
Partner loan loss reserve funds	\$ 59,515	\$ 79,040
Partner match and revolving loan funds	<u>119,377</u>	<u>115,080</u>
Total	<u>\$ 178,892</u>	<u>\$ 194,120</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 7: COMMITMENTS

Operating Leases

The Organization is party to a lease for office space in San Francisco, California which expires August 2021. Future minimum operating lease payments are as follows for the years ended December 31:

2018	\$ 82,440
2019	84,912
2020	87,460
2021	<u>59,464</u>
Total	<u>\$ 314,276</u>

Rent for the years ended December 31, 2017 and 2016 was \$85,540 and \$77,487, respectively.

NOTE 8: 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.

MISSION ASSET FUND

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Programs	\$ 2,054,417	\$ 520,000
Capacity building	536,031	247,115
Restricted for future use	<u>331,250</u>	<u>982,318</u>
Total	<u>\$ 2,921,698</u>	<u>\$ 1,749,433</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying purposes specified by donors as follows for the years ending December 31:

	<u>2017</u>	<u>2016</u>
Programs	\$ 4,052,021	\$ 689,495
Capacity building	302,214	50,385
Passage of time	<u>150,000</u>	<u>1,698,932</u>
Total	<u>\$ 4,504,235</u>	<u>\$ 2,438,812</u>

NOTE 10: 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.

NOTE 11: 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, 2017 and 2016 were \$41,333 and \$42,006, respectively.

NOTE 12: CONDITIONAL PROMISES TO GIVE

In addition to the activity on the financials, the Organization may receive grants with future payments subject to certain conditions. It is the Organization's policy to defer revenue recognition of conditional amounts until such conditions have been satisfied. As of December 31, 2017, conditional grants consisted of the following.

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>	<u>Condition</u>
Grant I	\$400,000	\$200,000	\$200,000	Project performance
Grant II	\$200,000	\$100,000	\$100,000	Project performance
Grant III	\$425,000	\$225,000	\$200,000	Project performance