

---

---

# MISSION ASSET FUND

## FINANCIAL STATEMENTS

December 31, 2014

---

---

**CROSBY & KANEDA**  
Certified Public Accountants

---

---

Dedicated to 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	7-12

## **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, 2014, 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.

### **Auditor's 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, 2014, 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.

A handwritten signature in black ink that reads "Crosby + Kaneda". The signature is written in a cursive, flowing style.

Certified Public Accountants

Oakland, California

February 22, 2016

**MISSION ASSET FUND**

**Statement of Financial Position  
December 31, 2014**

---

**Assets**

Current assets	
Cash	\$ 2,210,220
Certificates of deposit	207,629
Accounts and grants receivable	135,907
Lending Circles receivables (Note 3)	136,640
Other program lending (Note 4)	45,727
Prepaid expenses	25,631
Total Current Assets	<u>2,761,754</u>
Software and equipment (Note 5)	303,706
Deposits	<u>10,185</u>
Total Assets	<u>\$ 3,075,645</u>

**Liabilities and Net Assets**

Current liabilities	
Accounts payable	\$ 91,136
Accrued liabilities	38,535
Lending Circles payables (Note 3)	114,265
Bank loan (Note 6)	56,250
Total Current Liabilities	<u>300,186</u>
Partner funds held (Note 7)	<u>166,502</u>
Total Liabilities	<u>466,688</u>
Commitments and Contingencies (Notes 8 and 9)	
Net Assets	
Unrestricted	
Undesignated	66,259
Investment in software and equipment	303,706
Board designated reserve	300,000
Total Unrestricted	<u>669,965</u>
Temporarily restricted (Note 10)	1,938,992
Total Net Assets	<u>2,608,957</u>
Total Liabilities and Net Assets	<u>\$ 3,075,645</u>

See Notes to the Financial Statements

**MISSION ASSET FUND**

**Statement of Activities  
For the Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Support			
Foundation	\$ 2,438	\$ 1,069,980	\$ 1,072,418
Corporate		175,000	175,000
Government	116,412		116,412
Individual	8,653		8,653
Total Support	127,503	1,244,980	1,372,483
Revenue			
Program service fees	97,153		97,153
License fees	29,350		29,350
Interest	1,227		1,227
Other income	22,094		22,094
Total Revenue	149,824	-	149,824
Net assets released from donor restriction (Note 10)	1,832,404	(1,832,404)	-
Total Support and Revenue	2,109,731	(587,424)	1,522,307
<b>Expenses</b>			
Program	1,424,649		1,424,649
Management and general	281,065		281,065
Fundraising	205,052		205,052
Total Expenses	1,910,766	-	1,910,766
Change in net assets	198,965	(587,424)	(388,459)
Net Assets, beginning of year	471,000	2,526,416	2,997,416
Net Assets, end of year	\$ 669,965	\$ 1,938,992	\$ 2,608,957

See Notes to the Financial Statements

**MISSION ASSET FUND**

**Statement of Cash Flows  
For the Year Ended December 31, 2014**

---

<b>Cash flows from operating activities</b>	
Change in net assets	\$ (388,459)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities	
Depreciation	79,428
Change in assets and liabilities:	
Accounts and grants receivable	1,013,621
Lending Circle receivables	14,575
Other program lending	32,719
Prepaid expenses	100,648
Deposits	2,731
Accounts payable	47,016
Accrued liabilities	11,929
Lending Circle payables	15,318
Bank loan	(18,750)
Partner funds held	30,787
Net cash provided (used) by operating activities	<u>941,563</u>
<b>Cash flows from investing activities</b>	
Purchase of certificates of deposit, net	(166)
Internally developed software	(317,829)
Purchase of fixed assets	(41,555)
Net cash provided (used) by financing activities	<u>(359,550)</u>
Net change in cash	582,013
Cash, beginning of year	<u>1,628,207</u>
Cash, end of year	<u>\$ 2,210,220</u>

**MISSION ASSET FUND**

**Statement of Functional Expenses  
For the Year Ended December 31, 2014**

	Program	Management and General	Fundraising	Total
Salaries	\$ 659,982	\$ 102,811	\$ 97,325	\$ 860,118
Pension contributions	13,896	1,699	1,399	16,994
Employee benefits	65,598	13,009	9,579	88,186
Payroll taxes	54,919	8,424	8,116	71,459
Total Personnel	<u>794,395</u>	<u>125,943</u>	<u>116,419</u>	<u>1,036,757</u>
Contract and professional services	105,633	71,126	59,737	236,496
Marketing and communication	2,932	1,131	273	4,336
Office expense	72,693	13,135	5,963	91,791
Information technology	182,819	12,658	5,317	200,794
Occupancy	72,899	11,351	10,746	94,996
Travel and meals	46,885	6,641	3,856	57,382
Trainings and conferences	11,365	801	385	12,551
Depreciation and amortization	76,160	2,506	762	79,428
Insurance	494	2,825	44	3,363
Lending circle matches	19,775	-	-	19,775
Credit, bank and other fees	26,537	10,072	1,270	37,879
Miscellaneous	12,062	22,876	280	35,218
Total Expenses	<u>\$ 1,424,649</u>	<u>\$ 281,065</u>	<u>\$ 205,052</u>	<u>\$ 1,910,766</u>

See Notes to the Financial Statements



## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2014

---

#### 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 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 whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2014.

##### **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

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2014

---

substantially 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, 2014 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, 2014.

#### **Restricted Cash**

Certain cash amounts held by the Organization as loan loss reserve funds are restricted and may not be available for immediate operational use by the Organization. As of December 31, 2014, such restricted cash totaled \$40,583.

#### **Accounts and Grants Receivable**

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2014. 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

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2014

---

statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **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.

#### **Property and Equipment**

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$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 and equipment	5 years
Software – 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. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

#### **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.

#### **Subsequent Events**

The Organization has evaluated subsequent events and has concluded that as of February 22, 2016 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

#### **NOTE 3: LENDING CIRCLES**

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 receive their loan at the specified time. The Organization also collects loan payments and reports to the credit bureaus, as outlined in the Promissory Note.

The Organization and its partners operate a number of Lending Circles programs, including a Lending Circles for Deferred Action program and a Lending Circles for

## MISSION ASSET FUND

### Notes to the Financial Statements For the Year Ended December 31, 2014

---

Citizenship program. 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 receivables consisted of the following as of December 31, 2014:

Organization programs	\$ 80,358
Partner programs	57,282
Less: allowance for doubtful accounts	<u>(1,000)</u>
Total	<u>\$ 136,640</u>

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, 2014:

Organization programs	\$ 62,080
Partner programs	<u>52,185</u>
Total	<u>\$ 114,265</u>

#### NOTE 4: OTHER PROGRAM LENDING

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, 2014:

Organization programs	\$ 8,033
Partner programs	<u>37,694</u>
Total	<u>\$ 45,727</u>

#### NOTE 5: PROPERTY, SOFTWARE AND EQUIPMENT

Property, software and equipment consisted of the following as of December 31, 2014:

Furniture and fixtures	\$ 22,446
Computer and equipment	54,176
Software – social lending platform	317,829
Less: accumulated depreciation and amortization	<u>(90,745)</u>
Total	<u>\$ 303,706</u>

The accumulated depreciation and amortization are \$20,027 and \$70,718, respectively.

#### NOTE 6: BANK LOAN

The Organization received a \$75,000 loan from Bank of the West Charitable Foundation in March of 2012. The loan carried no interest rate, was unsecured and matures March 2015. The balance on the loan as of December 31, 2014 was \$56,250.

**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2014**

---

**NOTE 7: PARTNER FUNDS HELD**

Partner funds held consisted of the following as of December 31, 2014:

Partner loan loss reserve funds	\$ 40,583
Partner match and revolving loan funds	<u>125,919</u>
Total	<u>\$ 166,502</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 requires partners to maintain a loan loss reserve fund to cover potential Lending Circles delinquencies, fees and defaults by Lending Circles participants.

As of December 31, 2014 the Organization maintained loan loss reserve funds for 10 partner organizations totaling \$40,583.

Partner match and revolving loan funds

Partner revolving loan funds are provided by partner Organization 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.

As of December 31, 2014 there were three partners with revolving loan fund balances totaling \$125,919.

**NOTE 8: COMMITMENTS**

**Operating Leases**

The Organization is party to two leases for office space in San Francisco, California which expire December 2015 and August 2021 respectively.

Future minimum operating lease payments are as follows as of December 31:

2015	\$ 127,048
2016	77,712
2017	80,040
2018	82,440
2019	84,912
Thereafter	<u>146,924</u>
Total	<u>\$ 599,076</u>

Rent for the year ended December 31, 2014 was \$67,478.

**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

**MISSION ASSET FUND**

**Notes to the Financial Statements  
For the Year Ended December 31, 2014**

---

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: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available as follows as of December 31, 2014:

Programs	\$ 1,579,448
Restricted for future use	<u>359,544</u>
Total	<u>\$ 1,938,992</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying purposes specified by donors as follows for the year ending December 31, 2014:

Programs	\$ 1,562,338
Capacity building	39,000
Passage of time	<u>231,066</u>
Total	<u>\$ 1,832,404</u>

**NOTE 11: 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 12: RETIREMENT BENEFITS**

The Organization offers a 401(k) retirement plan (the Plan) covering all employees offered through the Organizations PEO. The Plan is a multiple employer defined contribution plan, which means that 2 or more employers participate under the Plan. The Organization matches 50% of employee contributions with the Organization contribution limited to 3% of an employee's salary. Plan contributions incurred by the Organization for the year ended December 31, 2014 were \$16,994.

**NOTE 13: CONCENTRATIONS**

**Lending Circles and Program Lending**

Approximately 57% of outstanding receivables are due from Lending Circles and other program lending activity.