
MISSION ASSET FUND

FINANCIAL STATEMENTS

December 31, 2020

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019)

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	7-19

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, 2020, 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, 2020, 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 Mission Asset Fund's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP

Oakland, California

May 4, 2021

MISSION ASSET FUND

Statement of Financial Position

December 31, 2020

(With Comparative Totals as of December 31, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 11,596,958	\$ 5,413,356
Investments (Note 3)	4,651,831	2,064,850
Accounts receivable	72,035	79,674
Contributions receivable	635,489	36,446
Program receivables, net (Note 5)	362,283	353,263
Prepaid expenses	196,882	138,403
Property and equipment, net (Note 6)	257,388	308,950
Deposits	15,000	15,000
Total Assets	\$ 17,787,866	\$ 8,409,942
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 127,651	\$ 84,869
Accrued paid time off	175,889	99,288
Program payables (Note 7)	123,220	123,516
Deferred revenue	170,894	102,020
Partner funds held (Note 8)	80,901	187,398
Program related loans (Note 9)	643,000	-
PPP Loan (Note 10)	465,800	-
Total Liabilities	1,787,355	597,091
Net Assets		
Without donor restrictions (Note 13)	7,747,875	4,095,907
With donor restrictions (Note 14)	8,252,636	3,716,944
Total Net Assets	16,000,511	7,812,851
Total Liabilities and Net Assets	\$ 17,787,866	\$ 8,409,942

See Notes to the Financial Statements

MISSION ASSET FUND

Statement of Activities For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Support and Revenue				
Support				
Foundation	\$ 334,574	\$ 35,998,487	\$ 36,333,061	\$ 5,037,975
Government	4,435,259		4,435,259	361,912
Corporate	388,276		388,276	66,769
Individual	146,214		146,214	44,569
Total Support	<u>5,304,323</u>	<u>35,998,487</u>	<u>41,302,810</u>	<u>5,511,225</u>
Revenue				
Program service and license fees	182,672		182,672	224,641
Conference, seminars and other	32,016		32,016	45,292
Investment activity, net (Note 3)	86,981		86,981	5,752
Total Revenue	<u>301,669</u>	<u>-</u>	<u>301,669</u>	<u>275,685</u>
Support provided by expiring time and purpose restrictions	31,462,795	(31,462,795)	-	-
Total Support and Revenue	<u>37,068,787</u>	<u>4,535,692</u>	<u>41,604,479</u>	<u>5,786,910</u>
Expenses				
Program	32,684,429		32,684,429	3,591,589
Management and general	439,432		439,432	401,204
Fundraising	292,958		292,958	246,835
Total Expenses	<u>33,416,819</u>	<u>-</u>	<u>33,416,819</u>	<u>4,239,628</u>
Change in net assets	3,651,968	4,535,692	8,187,660	1,547,282
Net Assets, beginning of year	<u>4,095,907</u>	<u>3,716,944</u>	<u>7,812,851</u>	<u>6,265,569</u>
Net Assets, end of year	<u>\$ 7,747,875</u>	<u>\$ 8,252,636</u>	<u>\$ 16,000,511</u>	<u>\$ 7,812,851</u>

See Notes to the Financial Statements

MISSION ASSET FUND

Statement of Cash Flows For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 8,187,660	\$ 1,547,282
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	203,771	156,893
Investment activity, net	(86,981)	(5,752)
Change in assets and liabilities:		
Accounts receivable	7,639	69,047
Contributions receivable	(599,043)	(5,730)
Program receivables	(9,020)	(19,937)
Prepaid expenses	(58,479)	(25,644)
Accounts payable and accrued expenses	42,782	7,292
Accrued paid time off	76,601	10,511
Program payables	(296)	(28,254)
Partner funds held	(106,497)	(11,087)
Deferred revenue	68,874	14,269
Net cash provided (used) by operating activities	<u>7,727,011</u>	<u>1,708,890</u>
Cash flows from investing activities		
Purchase of investments	(2,500,000)	(2,050,000)
Internally developed software	(76,462)	(144,826)
Purchase of fixed assets	<u>(75,747)</u>	<u>(23,638)</u>
Net cash provided (used) by investing activities	<u>(2,652,209)</u>	<u>(2,218,464)</u>
Cash flows from financing activities		
Proceeds from PPP loan	465,800	-
Proceeds from PRI loans	643,000	-
Repayment of loan	-	(112,500)
Net cash provided (used) by financing activities	<u>1,108,800</u>	<u>(112,500)</u>
Net change in cash and cash equivalents	6,183,602	(622,074)
Cash and cash equivalents, beginning of year	<u>5,413,356</u>	<u>6,035,430</u>
Cash and cash equivalents, end of year	<u><u>\$ 11,596,958</u></u>	<u><u>\$ 5,413,356</u></u>
Supplemental Information		
Restricted cash	<u>\$ 63,406</u>	<u>\$ 105,887</u>
Interest paid	<u><u>\$ 9,493</u></u>	<u><u>\$ -</u></u>

See Notes to the Financial Statements

MISSION ASSET FUND

Statement of Functional Expenses For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	Program	Management and General	Fundraising	Total	
				2020	2019
Salaries	\$ 2,559,155	\$ 275,847	\$ 166,395	\$ 3,001,397	\$ 2,115,455
Retirement contributions	115,964	12,327	8,096	136,387	62,159
Other employee benefits	248,882	24,692	21,764	295,338	221,945
Payroll taxes	198,271	20,195	12,232	230,698	167,770
Total Personnel	3,122,272	333,061	208,487	3,663,820	2,567,329
Scholarships and COVID relief	27,307,540	-	-	27,307,540	149,455
Contract and professional services	90,027	29,671	29,302	149,000	138,366
Survey incentives	681,805	208	130	682,143	-
Advertising and promotion	359	27	16	402	8,249
Office expense and supplies	153,473	13,977	9,825	177,275	143,644
Information technology	395,122	6,227	3,397	404,746	265,229
Occupancy	180,622	11,869	7,403	199,894	179,705
Travel and meals	28,988	667	784	30,439	62,566
Depreciation and amortization	200,858	1,793	1,120	203,771	156,893
Insurance	135	12,246	9	12,390	10,773
Dues, licenses, service fees	500,414	29,360	32,455	562,229	293,229
Conference and seminars	8,710	-	30	8,740	245,088
Interest	9,493	-	-	9,493	-
Write offs and other	4,611	326	-	4,937	19,102
Total Expenses	\$32,684,429	\$ 439,432	\$ 292,958	\$33,416,819	\$ 4,239,628

See Notes to the Financial Statements

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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.

Emergency Financial Relief

In 2020, Mission Asset Fund responded to the unprecedented health and economic crisis created by the COVID-19 pandemic with a new emergency grant program. The organization's Rapid Response Fund provided unrestricted direct cash assistance to low wage workers, California's low-income college students, and immigrant families left out of CARES Act relief. Available funds were disbursed on a national scale using an equity lens to focus resources on households facing the greatest financial hardship.

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

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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 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.

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

Program Service and License 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 IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2020 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, 2020.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at December 31, 2020. 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.

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.

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.

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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. Cash held for investment purposes is classified with investments. For statement of cash flow purposes, proceeds from investments reflect transfers from investment accounts to operating accounts, and additions to investment reflect transfers from operating accounts to investment accounts. Restricted cash of \$63,406 for partner loan loss reserves is reported as part of cash and cash equivalents on the financial statements.

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.

Property 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	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

Deferred Revenue

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

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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.

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.

Changes in Accounting Principles

The Organization adopted *ASU 2014-09 – Revenue from Contracts with Customers (Topic 606)* during the year ended December 31, 2020. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

for those goods or services. The adoption of ASU 2014-09 did not result in a material change to timing of when revenue is recognized.

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, 2019, 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.

NOTE 3: INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ -	\$ 1,408
Federal money market fund	<u>4,651,831</u>	<u>2,063,442</u>
Total	<u>\$ 4,651,831</u>	<u>\$ 2,064,850</u>

Investment Activity

Investment activity consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 4,475	\$ 11,720
Unrealized and realized gain (loss), net	<u>82,506</u>	<u>(5,968)</u>
Total	<u>\$ 86,981</u>	<u>\$ 5,752</u>

NOTE 4: 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 based its fair value measurement of its investments on Level 1 inputs.

MISSION ASSET FUND

**Notes to the Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)**

NOTE 5: PROGRAM RECEIVABLES

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

	<u>2020</u>	<u>2019</u>
Lending Circles receivables	\$ 147,995	\$ 143,077
Direct lending receivables	226,988	227,032
Less allowance for doubtful accounts	<u>(12,700)</u>	<u>(16,846)</u>
Total	<u>\$ 362,283</u>	<u>\$ 353,263</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. 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>2020</u>	<u>2019</u>
Organization	\$ 59,800	\$ 59,980
Partner	<u>88,195</u>	<u>83,097</u>
Total	<u>\$ 147,995</u>	<u>\$ 143,077</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. Certain immigration lending programs may include match funding from the Organization or its partners. Micro and direct loan program receivables consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Organization	\$ 222,553	\$ 209,621
Partner	<u>4,435</u>	<u>17,411</u>
Total	<u>\$ 226,988</u>	<u>\$ 227,032</u>

Allowance for Doubtful Accounts

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of period	\$ 16,846	\$ 25,357
Loans charged off	<u>(4,146)</u>	<u>(8,511)</u>
Total	<u>\$ 12,700</u>	<u>\$ 16,846</u>

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

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 was as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Current (0 - 30 days)	94%	88%
Past Due (31 – 90 days)	1%	7%
Delinquent (91+ days)	<u>5%</u>	<u>5%</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>2020</u>	<u>2019</u>
Restructured loan balances	49,762	39,862
Restructured as % of total balances outstanding	13%	11%

NOTE 6: PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 92,381	\$ 49,310
Computer equipment	74,110	67,816
Software – social lending platform	916,254	805,539
Leasehold improvements	26,380	-
Less accumulated depreciation and amortization	<u>(876,537)</u>	<u>(672,772)</u>
Sub-total	232,588	249,893
Work in progress	<u>24,800</u>	<u>59,057</u>
Total	<u>\$ 257,388</u>	<u>\$ 308,950</u>

NOTE 7: 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:

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Lending circle - Organization	\$ 40,880	\$ 54,380
Lending circle - Partner	78,790	65,298
Other program payables	<u>3,550</u>	<u>3,838</u>
Total	<u>\$ 123,220</u>	<u>\$ 123,516</u>

NOTE 8: PARTNER FUNDS HELD

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

	<u>2020</u>	<u>2019</u>
Partner loan loss reserve funds	\$ 74,071	\$ 65,759
Partner match and revolving loan funds	<u>6,830</u>	<u>121,639</u>
Total	<u>\$ 80,901</u>	<u>\$ 187,398</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 9: PROGRAM RELATED LOANS

During the year ending December 31, 2020, the Organization received three program related investment loans to expand loans programs offered to various communities. As of December 31, 2020, the loan balances were as follows:

Loan I	\$ 500,000
Loan II	83,000
Loan III	<u>60,000</u>
Total	<u>\$ 643,000</u>

The future scheduled maturities of the notes payable are as follows for the years ending December 31:

2021	\$ 20,000
2022	103,000
2023	20,000
2024	<u>500,000</u>
Total	<u>\$ 643,000</u>

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

Loan I

Unsecured loan for \$500,000 with interest of 3% maturing January 31, 2024. Loan is for funding of the Organization's immigration loan program and the terms include covenants regarding loan loss reserves on portfolio of at least 5% and loan portfolio outstanding greater than 90 days limited to 9%, among other requirements. Interest only payments are due on a quarterly basis and the principal is due upon maturity.

Loan II

Unsecured loan for \$83,000 with 0% interest and maturing September 31, 2022. Loan proceeds are intended to fund 24-month loans of up to \$500 with 0% interest to Los Angeles residents in the creative economy that have been adversely impacted by the coronavirus pandemic and its economic fallout. The Organization has evaluated the donative component of this financing and determined it is not material to the financials.

Loan III

Unsecured three-year loan of \$60,000 with 0% interest and maturing October 1, 2023. The Organization has evaluated the donative component of this financing and determined it is not material to the financials.

NOTE 10: PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Organization received a Paycheck Protection Program (PPP) loan of \$465,800 bearing interest of 1% with a maturity date of April 15, 2022 which it accounts for under FASB 470. Based on the guidance in *FASB ASC 405-20-40-1*, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been "legally released or (2) the Organization pays off the loan. Future payments as follows for the years ended December 31:

2021	\$ 361,340
2022	<u>104,460</u>
Total	<u>\$ 465,800</u>

The Organization may be eligible for forgiveness of some or all of this loan. Guidance related to this program is evolving, and it remains possible that final forgiveness amounts may vary or that no forgiveness will be offered. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received under the program.

NOTE 11: COMMITMENTS

Operating Leases

The Organization is party to two leases for office space in San Francisco, California which expire August 2021 and January 2025, with one option to renew for three years and five years, respectively. The lease rates include a 3% yearly increase. Future minimum operating lease payments are as follows for the years ended December 31:

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

2021	\$ 110,328
2022	52,385
2023	53,953
2024	55,580
2025	<u>4,643</u>
Total	<u>\$ 276,889</u>

Rent for the years ended December 31, 2020 and 2019 was \$139,728 and \$132,814, respectively.

NOTE 12: 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 13: NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 1,647,875	\$ 2,045,907
Designated - software and equipment	1,000,000	500,000
Designated - revolving loan fund & loan loss	1,400,000	650,000
Designated - recovery and other loan funds	2,800,000	-
Designated - reserve	<u>900,000</u>	<u>900,000</u>
Total	<u>\$ 7,747,875</u>	<u>\$ 4,095,907</u>

NOTE 14: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Purpose restricted	\$ 5,578,317	\$ 1,490,694
Restricted for future use	<u>2,674,319</u>	<u>2,226,250</u>
Total	<u>\$ 8,252,636</u>	<u>\$ 3,716,944</u>

NOTE 15: 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

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

conditions have been satisfied. As of December 31, 2020, conditional grants outstanding consisted of the following:

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>
I	\$200,000	\$100,000	\$100,000
II	\$250,000	\$125,000	\$125,000

The Organization expects to meet the conditions of the above grants during the year ended December 31, 2021.

NOTE 16: CONCENTRATIONS.

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.

Support and Revenue

Two foundation funders provided approximately 34% of total support and during the year ending December 31, 2020.

NOTE 17: 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 18: 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 6% of an employee's salary. Plan contributions incurred by the Organization for the years ended December 31, 2020 and 2019 were \$136,387 and \$62,159, respectively.

NOTE 19: 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, 2020 are:

Cash and cash equivalents	\$ 11,596,958
Investments	4,651,831
Accounts and contributions receivable	707,524
Program receivables	362,283
Less restricted cash	(63,406)
Less purpose-restricted net assets	<u>(5,578,317)</u>
Total	<u>\$ 11,676,873</u>

MISSION ASSET FUND

Notes to the Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

As part of the Organization's liquidity management plan, the Organization invests funds in excess of daily requirements in cash and short-term investment accounts.

NOTE 20: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of May 4, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order - Coronavirus

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations, and workforce.