MISSION ASSET FUND

FINANCIAL STATEMENTS

December 31, 2015

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

MISSION ASSET FUND

Contents

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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, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby + Kaneda

Certified Public Accountants
Oakland, California
August 23, 2016

MISSION ASSET FUND

Statement of Financial Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)

	2015	2014
Assets		
Current assets		
Cash	$ 2,399,207	$ 2,210,220
Certificates of deposit	-	207,629
Accounts and grants receivable	1,401,348	135,907
Program receivables (Note 3)	273,973	182,367
Prepaid expenses	60,123	25,631
Total Current Assets	4,134,651	2,761,754
Software and equipment, net (Note 4)	226,185	303,706
Deposits	10,000	10,185
Total Assets	$ 4,370,836	$ 3,075,645
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 48,880	$ 91,136
Accrued liabilities	36,275	38,535
Program payables (Note 3)	168,244	114,265
Loan payable	-	56,250
Total Current Liabilities	253,399	300,186
Program related investment (Note 5)	150,000	-
Partner funds held (Note 6)	139,504	166,502
Total Liabilities	542,903	466,688
Commitments and Contingencies (Notes 7 and 8)		
Net Assets		
Unrestricted		
Undesignated	330,703	66,259
Invested in software and equipment	226,185	303,706
Board designated reserve	300,000	300,000
Total Unrestricted	856,888	669,965
Temporarily restricted (Note 9)	2,971,045	1,938,992
Total Net Assets	3,827,933	2,608,957
Total Liabilities and Net Assets	$ 4,370,836	$ 3,075,645

MISSION ASSET FUND

Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

		Temporarily	Total	
	Unrestricted	Restricted	2015	2014
Support and Revenue				
Support				
Foundation	$ 23,247	$ 2,563,000	$ 2,586,247	$ 1,072,418
Corporate	11,682	315,000	326,682	175,000
Government	122,736		122,736	116,412
Individual	8,858		8,858	8,653
Total Support	166,523	2,878,000	3,044,523	1,372,483
Revenue				
Program service fees	119,376		119,376	97,153
License fees	47,750		47,750	29,350
Interest	1,222		1,222	1,227
Other income	12,372		12,372	22,094
Total Revenue	180,720	-	180,720	149,824
Net assets released from donor restriction (Note 9)	1,845,947	(1,845,947)	-	-
Total Support and Revenue	2,193,190	1,032,053	3,225,243	1,522,307
Expenses				
Program	1,506,041		1,506,041	1,424,649
Management and general	259,627		259,627	281,065
Fundraising	240,599		240,599	205,052
Total Expenses	2,006,267	-	2,006,267	1,910,766
Change in net assets	186,923	1,032,053	1,218,976	(388,459)
Net Assets, beginning of year	669,965	1,938,992	2,608,957	2,997,416
Net Assets, end of year	$ 856,888	$ 2,971,045	$ 3,827,933	$ 2,608,957

MISSION ASSET FUND

Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 1,218,976	$ (388,459)
Adjustments to reconcile change in net		
assets to cash provided (used) by operating activities		
Depreciation	137,346	79,428
Loss on disposition	3,780	-
Change in assets and liabilities:		
Accounts and grants receivable	(1,265,441)	1,013,621
Program receivables	(91,606)	47,294
Prepaid expenses	(34,492)	100,648
Deposits	185	2,731
Accounts payable	(42,256)	47,016
Accrued liabilities	(2,260)	11,929
Program payables	53,979	15,318
Partner funds held	(26,998)	30,787
Net cash provided (used) by operating activities	(48,787)	960,313
Cash flows from investing activities		
Purchases and sales of certificates of deposit, net	207,629	(166)
Internally developed software	(46,016)	(317,829)
Purchase of fixed assets	(17,589)	(41,555)
Net cash provided (used) by investing activities	144,024	(359,550)
Cash flows from financing activities		
Repayment of bank loan	(56,250)	(18,750)
Funds received from refundable grant	150,000	-
Net cash provided (used) by financing activities	93,750	(18,750)
Net change in cash	188,987	582,013
Cash, beginning of year	2,210,220	1,628,207
Cash, end of year	$ 2,399,207	$ 2,210,220

See Notes to the Financial Statements

MISSION ASSET FUND

Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Program	Management and General	Fundraising	Total 2015	Total 2014
Salaries	$ 640,308	$ 142,748	$ 126,589	$ 909,645	$ 860,118
Pension contributions	20,564	5,134	4,357	30,055	16,994
Employee benefits	71,016	17,004	10,110	98,130	88,186
Payroll taxes	53,403	11,641	10,358	75,402	71,459
Total Personnel	785,291	176,527	151,414	1,113,232	1,036,757
Contract and professional services	137,171	29,817	48,217	215,205	236,496
Marketing and communication	1,027	-	-	1,027	4,336
Office expense	35,484	6,753	4,675	46,912	91,791
Information technology	143,923	1,267	-	145,190	200,794
Occupancy	111,412	30,121	22,026	163,559	94,996
Travel and meals	33,757	3,058	5,384	42,199	57,382
Conference registration	3,001	-	-	3,001	12,551
Depreciation and amortization	132,589	2,521	2,236	137,346	79,428
Insurance	2,085	1,205	412	3,702	3,363
Lending Circle matches	4,880	-	-	4,880	19,775
Loan servicing fees	42,059	-	-	42,059	30,414
Payroll and other fees	17,626	3,778	3,634	25,038	26,487
Client events and workshops	9,031	-	-	9,031	7,401
Bad debt expense	12,545	-	-	12,545	5,857
Loss on disposition	3,104	358	318	3,780	-
Donations	2,250	-	-	2,250	-
Other expenses	28,806	4,222	2,283	35,311	2,938
Total Expenses	$ 1,506,041	$ 259,627	$ 240,599	$ 2,006,267	$ 1,910,766

Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals 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. Temporarily restricted net assets also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA).

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, 2015.

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 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, 2015 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, 2015.

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, 2015 and 2014, such restricted cash totaled $54,337 and $40,583, respectively.

Accounts and Grants Receivable

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2015. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Estimates

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

Cash Equivalents

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

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 assets or liabilities recorded at fair value on December 31, 2015.

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.

Software and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $1,000; 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 – 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.

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, 2014, 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 August 23, 2016 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROGRAM RECEIVABLES

Program receivables consisted of the following as of December 31:

	2015	2014
Lending Circles receivables	$ 189,144	$ 137,640
Direct lending receivables	93,641	45,727
Less: allowance for doubtful accounts	(8,812)	(1,000)
Total	$ 273,973	$ 182,367

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 and its partners operate a number of Lending Circles programs, including a Lending Circles for Deferred Action program and a Lending Circles for 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 receivable balances consisted of the following as of December 31:

	2015	2014
Organization	$ 91,112	$ 80,358
Partner	98,032	57,282
Total	$ 189,144	$ 137,640

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:

	2015	2014
Organization	$ 74,076	$ 62,080
Partner	94,168	52,185
Total	$ 168,244	$ 114,265

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:

	2015	2014
Organization	$ 53,941	$ 8,033
Partner	39,700	37,694
Total	$ 93,641	$ 45,727

Allowance for doubtful accounts

Activity related to the allowance for doubtful accounts was as follows for the year ended December 31, 2015:

Balance, beginning of period	$ 1,000
Loans charged off	(4,733)
Current period provision	12,545
Recoveries of previous charge offs	-
Balance, end of period	$ 8,812

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 were as follows as of December 31, 2015:

Current (0 - 30 days)	$ 275,628	98%
Past Due (31 – 90 days)	6,607	2%
Delinquent (91+ days)	550	0%
Total	$ 282,785	100%

NOTE 4: SOFTWARE AND EQUIPMENT

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

	2015	2014
Furniture and fixtures	$ 26,475	$ 22,446
Computer equipment	62,697	54,176
Software – social lending platform	363,845	317,829
Less: accumulated depreciation and amortization	(226,832)	(90,745)
Total	$ 226,185	$ 303,706

Depreciation and amortization totaled $34,833 and $192,000 respectively for the year ended December 31, 2015.

NOTE 5: REFUNDABLE GRANT PAYABLE

The Organization received refundable grant of $150,000 in March 2015 from a Foundation funder. The refundable grant carries no interest rate, is unsecured and matures March 2018. Management has evaluated the donative portion of the below market rate interest rate on this funding and determined adjustments for the donative element would not be material to the financial statements.

NOTE 6: PARTNER FUNDS HELD

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

	2015	2014
Partner loan loss reserve funds	$ 54,337	$ 40,583
Partner match and revolving loan funds	85,167	125,919
Total	$ 139,504	$ 166,502

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, 2015 the Organization maintained loan loss reserve funds for 18 partner organizations.

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. As of December 31, 2015 there were three partners with revolving loan fund balances.

NOTE 7: 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:

2016	$ 77,712
2017	80,040
2018	82,440
2019	84,912
2020	87,460
Thereafter	59,464
Total	$ 472,028

Rent for the years ended December 31, 2015 and 2014 was $127,048 and $67,478, 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.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Programs	$ 1,506,045	$ 1,579,448
Capacity building	115,000	-
Restricted for future use	1,350,000	359,544
Total	$ 2,971,045	$ 1,938,992

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:

	2015	2014
Programs	$ 1,438,402	$ 1,562,338
Capacity building	48,000	39,000
Passage of time	359,545	231,066
Total	$ 1,845,947	$ 1,832,404

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, 2015 and 2014 were $30,055 and $16,994, respectively.