# MISSION ASSET FUND

## FINANCIAL STATEMENTS
## AND
## INDEPENDENT AUDITOR'S REPORT

**For the Year Ended December 31, 2012**

**REYNALDO H. CHING**
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# MISSION ASSET FUND
# FINANCIAL REPORT
# YEAR ENDED DECEMBER 31, 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mission Asset Fund
San Francisco, California

I have audited the accompanying Statement of Financial Position of Mission Asset Fund (MAF), a California not-for-profit corporation, as of December 31, 2012, and the related Statements of Activities, and Cash Flows for the year then ended. These financial statements are the responsibility of the MAF's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from MAF's December 31, 2011 financial statements and, in my report dated May 10, 2012, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MAF's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Mission Asset Fund as of December 31, 2012 and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 30, 2013, on my consideration of MAF's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to described the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The accompanying supplementary information identified in the table of contents is presented for the purpose of providing additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Francisco, California
April 30, 2013

**MISSION ASSET FUND**
**STATEMENT OF FINANCIAL POSITION**
December 31, 2012
(With Comparative Totals At December 31, 2011)

ASSETS

| | 2012 | 2011 |
|---|---|---|
| Current Assets | | |
| Cash and Cash Equivalent | $ 877,214 | $ 589,629 |
| Certificate of Deposits | 207,095 | 357,767 |
| Grants Receivable (Note 2) | 145,205 | 321,668 |
| Cesta Receivable (Note 3) | 27,910 | 28,100 |
| C-Fondo Receivable (Note 4) | 45,929 | 23,246 |
| Lending Circle Receivable (Note 5) | 34,885 | 4,450 |
| Lending Circle for Dreamers Receivable | 17,577 | - |
| Lending Circle for Citiizenship Receivable | 1,105 | - |
| Other Receivable | - | 950 |
| Total Current Assets | 1,356,920 | 1,325,810 |
| Property & Equipment (Note 6) | | |
| Equipment, Furnitures & Fixtures | 23,252 | 33,817 |
| Less: Accumulated Depreciation | (4,832) | (18,588) |
| Total Property & Equipment (Net) | 18,420 | 15,229 |
| Other Assets (Note 7) | 15,516 | 8,216 |
| TOTAL ASSETS | $ 1,390,856 | $ 1,349,255 |

LIABILITIES AND NET ASSETS

| | 2012 | 2011 |
|---|---|---|
| Current Liabilities | | |
| Accounts Payable | $ 17,957 | $ 7,150 |
| Cesta Payable (Note 3) | 23,410 | 29,790 |
| F.I.I. Payable | - | 14,731 |
| Lending Circle Payable (Note 5) | 32,775 | 4,250 |
| Lending Circle for Citizenship Payable | 935 | - |
| Accrued Liabilities (Note 8) | 22,334 | 3,009 |
| Total Current Liabilities | 97,411 | 58,930 |
| Other Liabilities and Reserve Funds: | | |
| Repayable Grant-Bank of the West Charitable Foundation (Note 9) | 75,000 | - |
| Loan Loss Reserve Fund (Note 10) | 24,658 | - |
| Partner Match Loan Fund (Note 10) | 9,960 | - |
| Total Other Liabilities and Reserve Funds | 109,618 | - |
| Net Assets | | |
| Net Assets - Unrestricted | 471,000 | 470,325 |
| Net Assets - Temporarily Restricted (Note 11) | 712,827 | 820,000 |
| Total Net Assets | 1,183,827 | 1,290,325 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,390,856 | $ 1,349,255 |

The accompanying notes are an integral part of these financial statements.

## MISSION ASSET FUND
## STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012
(With Comparative Totals For The Year Ended December 31, 2011)

| | Unrestricted | Temporarily Restricted | 2012 Total | 2011 Total |
|---|---|---|---|---|
| Support and Revenue | | | | |
| Grant Income | $ 101,942 | $ 1,057,423 | $ 1,159,365 | $ 1,169,554 |
| Donations | 1,784 | | 1,784 | 1,200 |
| Program Service Fees | 32,066 | | 32,066 | - |
| License Fees | 13,750 | | 13,750 | 21,450 |
| Interests on Savings and Certificates of Deposits | 1,646 | | 1,646 | 2,139 |
| Client Returned Item Fees | 4,627 | | 4,627 | - |
| Other Income | 26,061 | | 26,061 | - |
| Total Support and Revenue | 181,876 | 1,057,423 | 1,239,299 | 1,194,343 |
| Released from Restrictions: | | | | |
| Time and Purpose Restrictions Satisfied | 1,164,596 | (1,164,596) | | |
| Total Support and Revenue | 1,346,472 | (107,173) | 1,239,299 | 1,194,343 |
| Expenses | | | | |
| Program Services | 920,679 | | 920,679 | 749,953 |
| General and Administration | 258,489 | | 258,489 | 228,648 |
| Fund Raising | 166,629 | | 166,629 | 13,673 |
| Total Expenses | 1,345,797 | | 1,345,797 | 992,274 |
| Change in Net Assets | 675 | (107,173) | (106,498) | 202,069 |
| Net Assets at Beginning of Year | 470,325 | 820,000 | 1,290,325 | 1,088,256 |
| Net Assets at End of Year | $ 471,000 | $ 712,827 | $ 1,183,827 | $ 1,290,325 |

The accompanying notes are an integral part of these financial statements.

**MISSION ASSET FUND**
**STATEMENT OF CASH FLOW**
For the Year Ended December 31, 2012
(With Comparative Totals For The Year Ended December 31, 2011)

| | 2012 | 2011 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | $ (106,498) | $ 202,069 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Provisions for Depreciation | 3,209 | 5,410 |
| (Increase)/Decrease in Grants Receivable | 176,463 | (301,773) |
| (Increase)/Decrease in Other Receivable | 950 | 10,825 |
| (Increase)/Decrease in Cesta Receivable | 190 | 20,500 |
| (Increase)/Decrease in Lending Circle Receivable | (30,435) | (4,450) |
| (Increase)/Decrease in C Fondo Receivable | (22,683) | - |
| (Increase)/Decrease in Lending Circle for Dreamers | (17,577) | - |
| (Increase)/Deacrase in LC for Citizenship Receivable | (1,105) | - |
| (Increase)/Decrease in Prepaid Expenses | - | 3,749 |
| (Increase)/Decrease in Other Assets | (7,300) | 1,850 |
| Increase/(Decrease) in Accounts Payable | 10,807 | (17,323) |
| Increase/(Decrease) in Cesta Payable | (6,380) | (18,810) |
| Increase/(Decrease) in LC for Citizenship Payable | 935 | - |
| Increase/(Decrease) in Other Liabilities-FII | (14,731) | 14,731 |
| Increase/(Decrease) in Lending Circle payable | 28,525 | 4,250 |
| Increase/(Decrease) in Accrued Liabilities | 19,325 | (2,956) |
| Increase/(Decrease) in Loan Loss Reserve Fund | 24,658 | - |
| Increase/(Decrease) in Partner Match Loan Fund | 9,960 | - |
| Net Cash Provided by Operating Activities | 68,313 | (81,928) |
| Cash Flows Provided by/(Used in) Investing Activities: | | |
| (Increase)/Decrease in Certificate of Deposits | 150,672 | 334,604 |
| (Increase)/Decrease in fixed assets (net) | (6,400) | (13,340) |
| Net Cash Provided by Investing Activities | 144,272 | 321,264 |
| Cash Flows Provided by Financing Activities: | | |
| Increase/(Decrease) in Loan Payable-Bank of the West | 75,000 | - |
| Net Cash Provided by Financing Activities | 75,000 | - |
| Net Increase/(Decrease) in Cash | 287,585 | 244,692 |
| Cash and Cash Equivalents at Beginning of Year | 589,629 | 344,937 |
| Cash and Cash Equivalents at End of Year | $ 877,214 | $ 589,629 |

The accompanying notes are an integral part of these financial statements.

**MISSION ASSET FUND**
**NOTES TO FINANCIAL STATEMENTS**
For The Year Ended December 31, 2012

## ORGANIZATION

Mission Asset Fund is a non-profit organization incorporated under the laws of the State of California. The organization was formed in 2007 to give financial services, including savings and investments opportunities to low income residents of the Mission District of San Francisco. Currently, MAF has expanded its operations to include inter-state and out-of-state organizations through partnership arrangements. In June 2012, MAF Board of Directors amended its By-Laws to better align its current operations. The changes include: (1) Transitioning from "membership-based" to non-membership" organization; (2) Eliminating geography as a determinant for providing services; (3) Elevating the focus on who we serve to "low-income & immigrants"; (4) Lowering the minimum number of Directors on the Board from 11 to 7.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of Mission Asset Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified on the existence of donor-imposed restrictions. Accordingly, net assets of MAF and changes therein are classified and reported as follows:

Unrestricted net assets - Assets that are currently available for use and are not subject to donor-imposed restrictions. Board-designated assets are also reported as part of the unrestricted net assets.

Temporarily restricted net assets - Assets subject to donor-imposed stipulations that may or will be met, either by actions of MAF and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Assets subject to donor-imposed stipulations requiring them to be maintained permanently by MAF. There were no permanently restricted net assets during the year.

### Functional Allocation of Expenses

The costs of providing the 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.

### Cash and Cash Equivalents

Cash and cash equivalents includes short-term highly liquid investments with original maturities of three months or less. Currently, all cash are in checking and money market accounts.

### Revenue Recognition

Government grants are recognized as revenue to the extent of expenses. Revenue recognition depends on the grant award agreements. Government funds received in advance are treated as

Deferred Revenue. Interest income is recognized when earned. Private grants and contributions that have been awarded for which a specific purpose restriction is not met are recognized as temporarily restricted net assets. In the period when the services have been rendered, and/or specific purpose restrictions has been met, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## Contributions and Promise to Give

Contributions, including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

## Leases

MAF has relocated its office at 1470 Valencia Street effective June 1, 2012. Under an operating lease agreement, with two (2) 3 -year options to renew . The future minimum payments under noncancellable operating leases are as follows:

| | |
|---|---|
| 2013 | $46,800 |
| 2014 | 49,200 |
| 2015 | 51,600 |

Rent expense was approximately $42,274 during 2012, which include rents paid for the unexpired lease at 2301 Mission St. office until December 31, 2012.

## Defined Contribution Retirement Plan

The name of the Plan is Trinet 401(k) Plan. This Plan is a multiple employer defined contribution plan, which means that 2 or more employers participate under the Plan. Once an employee become a participant, he/she may make Elective Contributions and Roth 401(k) contributions in an amount from 1% to 50% of before tax compensation. This Plan is subject to the rules under ERISA. Currently, employer does not make matching contributions to the Plan.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual result could differ from those estimates.

## Income Taxes

Mission Asset Fund has been determined by the Internal Revenue Service to be exempt from federal income tax. Consequently, no provision for income taxes is included in the accompanying financial statements.

## 2 GRANTS RECEIVABLE

As of December 31, 2012 and 2011, grants receivable are as follow:

| | 2012 | 2011 |
|---|---|---|
| SF Mayor's Office of Housing-CDBG | 7,083.00 | - |
| City & County of SF-JOBS NOW Program | - | 6,668.00 |
| SF Office of Econ. And Workforce Dev. | 8,327.00 | - |
| Bank of America Charitable Foundation | 100,000.00 | - |
| Thomson Family Foundation | 25,000.00 | - |
| Annie E Casey Foundation | 1,000.00 | - |
| Latino Community Foundation | 3,100.00 | - |
| Friedman Family Foundation | 500.00 | - |
| Network For Good | 95.00 | - |
| Charles Schwab Foundation | 100.00 | - |
| C F S I | - | 125,000.00 |
| Northwest Area Foundation | - | 100,000.00 |
| Ford Foundation | - | 90,000.00 |
| | $ 145,205.00 | $ 321,668.00 |

## 3 CESTA POPULARES

MAF has sponsored this asset building program for people who wish to establish credit history, improve credit score, save, and learn to manage their finances more efficiently. The Cesta Populares are peer-lending circles in which members lend money to each other. Each member makes contribution monthly and receive the sum total as a loan in the order established by the members.

As of December 31, 2012 and 2011, Cesta Populares has the following balances:

| | 2012 | 2011 |
|---|---|---|
| Cesta Receivable (participants loans) | $ 27,910.00 | $ 28,100.00 |
| Cesta Payable (participants loans) | $ 23,410.00 | $ 29,790.00 |

## 4 CESTA CON FONDO (C-Fondo)

The C-Fondo program is similar to the Cesta Populares except meeting additional requirements such as having participated in the basic Cesta Populares program for at lease six (6) months, etc. Participants in this program receive direct loans from MAF or partner organization, who acts as the lender and the guarantor.

**MISSION ASSET FUND**
**NOTES TO FINANCIAL STATEMENTS**
For The Year Ended December 31, 2012

As of December 31, 2012 and 2011, C-Fondo loan receivable from participants shows a balance of :

| Funding Source From | 2012 | 2011 |
|---|---|---|
| M A F | $ 24,528.00 | $ 18,900.00 |
| F I I (Family Independent Initiative) | 21,401.00 | 4,346.00 |
| | $ 45,929.00 | $ 23,246.00 |

## 5 LENDING CIRCLE

MAF offers a program similar to Cesta Populares-peer lending circles in which members lend money to each oher-through partnerships with other nonprofit organizations. This program is called Lending Circles and allows participants to establish credit history, improve credit score, save, and learn to manage their finances more efficiently. Each member makes monthly contributions and receives the sum total as a loan in the order established by the members. Participants sign an official Promissory Note and Program Agreement and makes monthly electronic payments.

As of December 31, 2012 and 2011, this program shows the following balances:

| | 2012 | 2011 |
|---|---|---|
| Lending Circle Receivable | $ 34,885.00 | $ 4,450.00 |
| Lending Circle Payable | $ 32,775.00 | $ 4,250.00 |

## 6 PROPERTY AND EQUIPMENT

All property and equipment are recorded at historical cost. Depreciation is computed based on estimated useful life of 5 years. As of December 31, 2012 and 2011, property and equipment consist of the following:

| | 2012 | 2011 |
|---|---|---|
| Furniture and fixtures | $ 1,189.00 | $ 9,961.00 |
| Computer and equipment | 22,063.00 | 23,856.00 |
| | 23,252.00 | 33,817.00 |
| Less: Accumulated depreciation | (4,832.00) | (18,588.00) |
| Property and Equipment (net) | $ 18,420.00 | $ 15,229.00 |

## 7 OTHER ASSETS

As of December 31, 2012 and 2011, Other Assets are as follow:

| | 2012 | 2011 |
|---|---|---|
| Lease Deposit | $ 12,916.00 | $ 2,916.00 |
| Employee Loans | 2,600.00 | $ - |
| MAF Cesta participation account | - | 5,300.00 |
| | $ 15,516.00 | $ 8,216.00 |

## 8 ACCRUED EXPENSES

Accrued expenses as of December 31, 2012 and 2011 are as follow:

| | 2012 | 2011 |
|---|---|---|
| Accrued PTO | 20,747.00 | 2,795.00 |
| Accrued payroll taxes | 1,587.00 | 214.00 |
| | $ 22,334.00 | $ 3,009.00 |

## 9 Repayable Grant from Bank of the West Charitable Foundation

The Foundation has agreed to provide MAF with a repayable grant in the amount of $75,000.00. The grant is structured as an unsecured line of credit at zero percent (0)% interest. The grant is payable in full, from the date of allocation, in thirty six (36) months. With this grant, MAF will provide to qualified borrowers micro business loan amount ranging from $500 to $5000. MAF, also agree, business loan recipients will receive small business technical assistance, such as, business plan development or individual business coaching. The repayable grant terms allow MAF to charge up to 800 basis points inclusive of all origination fees on loans granted through the funding. However, in practice, MAF does not charge any interest on these loans.

## 10 Loan Loss Reserve Fund & Partner Match Loan Fund

A. Loan Loss Reserve Fund - MAF enters into partnership agreements with multiple entities to operate peer lending circles, and for doing so, MAF compensate them with certain amounts which it received as grants from charitable foundations. The purpose of the peer lending circle is to promote credit building amongst low income individuals, similar to Cesta Populares. A portion of the compensation due the partners are set aside as loan reserves to pay for delinquent loans written-off, or in the case of non-compensated partners, is paid in by the partner and held by MAF as reserve. Whatever the balance in the partner's reserve account after the contract expires is generally given to the partner as final compensation or refunded in the case of partner-paid reserves, as set out per individual memorandum of understanding (MOU) terms.

| | |
|---|---|
| Financial Guidance Center of Nevada | $ 4,000.00 |
| Chinese Newcomers Service Center | 3,333.00 |
| Fremont Family Resource Center | 5,000.00 |
| Family Independent Initiative | 9,325.00 |
| Pilipino Workers Center of Southern California | 3,000.00 |
| | $ 24,658.00 |

B. Partner Match Loan Fund - These funds are from the following partners and to be used for:

| | |
|---|---|
| Family Independent Initiative-For F.I.I loans | $ 9,960.00 |

## 11 TEMPORARILY RESTRICTED NET ASSETS

| | 2012 | 2011 |
|---|---|---|
| Levi Strauss Foundation grants: | | |
| Program support | $ 100,000.00 | $ 50,000.00 |
| Operating Budget | - | 179,066.00 |
| Bank of America Charitable Foundation | 200,000.00 | 10,000.00 |
| Bank of the West | - | 10,000.00 |
| Citibank | 192,458.00 | 30,000.00 |
| Friedman Foundation | 20,000.00 | 10,000.00 |
| Global Social Ventures Fund | 10,000.00 | - |
| National Council of La Raza | - | 8,333.00 |
| Marcled Foundation | 60,000.00 | - |
| Ford Foundation | - | 72,601.00 |
| Y&H Soda Foundation | - | 165,000.00 |
| Silicon Valley Community Foundation | 54,090.00 | 25,000.00 |
| Northwest Area Foundation | - | 200,000.00 |
| Haas Sr. Fund | 26,279.00 | 60,000.00 |
| Thomson Family Foundation | 25,000.00 | - |
| Annie Casey Foundation | 25,000.00 | - |
| | $ 712,827.00 | $ 820,000.00 |

## 12 OPPORTUNITY FUND OF NORTHERN CALIFORNIA (OF)

OF is a California Non-Profit Corporation and is in the business of making loans and providing technical assistance to self-employed individuals and also to low-income families in general, and therefore reach out to community-based organizations, such as MAF, with similar mission through a partnership model.

Under an Operating Agreement, OF commits up to $40,000 in capital for the Cesta Con Fondo program (Loan Program), with the purpose of making matched loans to individuals located in MAF's service area who are also simultaneously receiving a peer loan. MAF will serve as loan servicer for these OF loans. OF will establish and maintain one business checking account at a financial institution with presence in MAF's service area into which account MAF shall deposit all sums due OF (loan payments); also, another account which OF shall deposit all sums approved for disbursement as OF loans.

A loan will be written-off after 3 months of past due payments from its existing contract/payment schedule. Loan write-offs after application of the borrower's peer loan will be shared 50%/50% between MAF and OF.

As of December 31, 2012, the balance of receivable of OF funded loans totalled $200, and all payments due are current. The balance is expected to be fully repaid in January 2013 and will signal the end of the program. These loans are not recorded on MAF's accounting records.

## 13 SUBSEQUENT EVENT

The management of MAF has reviewed the results of operations and evaluated subsequent events for the period of time from the year ended December 31, 2012 through April 30, 2013., the date the financial statements were available to be issued, and have determined no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Mission Asset Fund
San Francisco, California

I have audited the financial statements of the Mission Asset Fund (A non-profit Organization) for the year ended December 31, 2012, and have issued my report thereon dated April 30, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Mission Asset Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered MAF's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MAF's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of MAF's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the MAF's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MAF's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Board of Directors, management and local awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

San Francisco, California
April 30, 2013

# REYNALDO H. CHING
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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Mission Asset Fund
San Francisco, California

My report on audit of the basic financial statements of Mission Asset Fund for the year ended December 31, 2012 appears on page 2 and 3. My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of Mission Asset Fund. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respect in relation to the financial statements taken as a whole.

Rhching

San Francisco, California
April 30, 2013

**MISSION ASSET FUND**
**STATEMENT OF FUNCTIONAL EXPENSES**
For The Year Ended December 31, 2012
(With Comparative Totals For The Year Ended December 31, 2011)

| | Program Services | Fund Raising | General & Administration | 2012 Total | 2011 Total |
|---|---|---|---|---|---|
| Personnel Costs | $ 543,284 | $ 111,573 | $ 140,395 | $ 795,252 | $ 573,106 |
| Occupancy | 33,332 | 4,352 | 24,295 | 61,979 | 34,747 |
| Consulting/Contract Services | 168,482 | 38,102 | 32,097 | 238,681 | 179,213 |
| Grants to Other Organizations | 36,833 | - | - - | 36,833 | 50,833 |
| CT Match Fund | 5,234 | - | - - | 5,234 | - |
| Lending Circle for Dreamers | 11,005 | - | - - | 11,005 | - |
| Accounting & auditing services | - | - | 26,837 | 26,837 | 27,686 |
| Board development | 2,326 | 300 | 616 | 3,242 | 2,461 |
| Conference, meetings, & convention | 1,021 | 118 | 267 | 1,406 | 6,278 |
| Office & program supplies | 33,220 | 4,439 | 8,847 | 46,506 | 15,197 |
| Telephone | 7,433 | 945 | 2,187 | 10,565 | 8,189 |
| Postage & shipping | 1,342 | 206 | 345 | 1,893 | 2,337 |
| Printing & copying | 1,122 | 145 | 238 | 1,505 | 3,462 |
| Transportation & travel | 14,871 | 2,142 | 2,729 | 19,742 | 11,105 |
| I.D.A - Local match | - | - | - - | - | 36,224 |
| Client workshops, meals & entertainment | 10,219 | 369 | 1,094 | 11,682 | 14,192 |
| Advertising, publications, & subscriptions | 4,489 | 97 | 236 | 4,822 | 4,992 |
| Insurance | 1,553 | 202 | 357 | 2,112 | 1,302 |
| Licenses, permits, & fees | 9,707 | 243 | 791 | 10,741 | 6,570 |
| Donation expense | 941 | 23 | 616 | 1,580 | (90) |
| Property Tax | 7,694 | 1,000 | 1,681 | 10,375 | - |
| Depreciation | 2,722 | 170 | 317 | 3,209 | 5,410 |
| Bad Debts | 4,380 | - | - - | 4,380 | - |
| Miscellaneous | 19,469 | 2,203 | 14,544 | 36,216 | 9,060 |
| Total | 920,679 | 166,629 | 258,489 | 1,345,797 | 992,274 |

The accompanying notes are an integral part of these financial statements..

Mission Asset Fund
Audit Findings & Recommendations
December 31, 2012

1 Cash Disbursement

Finding

MAF uses Bill.Com Pay System to handle payments of vendors invoices by issuance of checks against its checking accounts with Citibank. This include the automatic issuance of checks to consultants under memorandum of understanding (MOU). This arrangement raises the question of whether the services as required under the MOU's with the consultants are actually being rendered before payments are automatically made. (Repeat)

Recommendation

The use of MOU's to make automatic periodic payments to consultants should be discontinued as this does not provide evidence that the contracted service had been rendered. Consultants should submit their invoices to MAF as confirmation that their services have been rendered. An officer should approve the invoices for payment.

2 Property & Equipment

Finding

There was no physical inventory conducted and no inventory list reconciled to the general ledger balances (Repeat)

Recommendation

A physical inventory of fixed assets should be conducted annually to validate the existence of those assets.

3 Write-offs of Delinquent Loans

Finding

Policy has been established to perform monthly review of delinquent loans by the Executive Committee consisting of three officers. However, there is no formalized documentation to evidence this review and what steps were taken prior to loan write-offs. The review should also document the adequacy of the loan loss reserve funds as per agreement with partners and in conformance with MAF policy.

Recommendation

A formalized documentation should be established to document the review performed prior to loan  write-offs and review of loan loss reserve funds..

4 Accounting Records

Finding

Account balances of receivables and payables were not reconciled to supporting records (Salesforce Report). Adjustments have to be done to reconcile the balances as of 12-31-2012.

Recommendation

Reconciliation of both participants loan receivables and payables should be done at least monthly. This review should be documented.

5 Credit Cards Use

Finding

Although use of credit cards is convenient and cost effective, it is, however, not providing an audit trail to evidence proper approval was obtained prior to their use specially for major purchases, such as computer, etc. Currently, there is no evidence of review and authorization procedure followed.

Recommendation

Credit cards use should be for emergency purposes only. Proper approval and authorization should be obtained for all purchases and expenses paid either by checks or credit cards. All credit cards charges should be supported with receipts.