Reports of Independent Auditors and
Financial Statements with Federal Awards
Supplementary Information

Mission Asset Fund

December 31, 2022
(with summarized comparative information for the year ended
December 31, 2021)

MOSSADAMS

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Report of Independent Auditors

Board of Directors
Mission Asset Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mission Asset Fund, which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mission Asset Fund as of December 31, 2022, 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.

Emphasis of Matter – Change in Accounting Principal

As discussed in Note 2 to the financial statements, as of January 1, 2022, Mission Asset Fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842).* The ASU has been applied using a modified retrospective approach. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mission Asset Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Asset Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mission Asset Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mission Asset Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Other Matter

We have previously audited Missions Asset Fund's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2023 on our consideration of Mission Asset Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mission Asset Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mission Asset Fund's internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
June 26, 2023

Financial Statements

Mission Asset Fund
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 7,090,018	$ 15,608,939
Investments	33,357,726	37,315,067
Accounts receivable	71,305	70,679
Contributions receivable	764,236	604,579
Program loan receivables, net	667,542	433,286
Prepaid expenses	333,986	265,968
Property and equipment, net	343,868	209,572
Deposits	15,000	15,000
Operating lease right-of-use assets	441,999	-
Total assets	$ 43,085,680	$ 54,523,090
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 287,028	$ 203,752
Accrued paid time off	291,424	215,731
Program payables	94,509	111,791
Deferred revenue	2,515,014	1,817,942
Partner funds held	170,109	154,575
Program related loans	520,000	540,000
Operating lease liabilities	443,677	-
Total liabilities	4,321,761	3,043,791
Net assets		
Without donor restrictions	33,190,427	45,703,900
With donor restrictions	5,573,492	5,775,399
Total net assets	38,763,919	51,479,299
Total liabilities and net assets	$ 43,085,680	$ 54,523,090

See accompanying notes.

Mission Asset Fund
Statement of Activities
Year Ended December 31, 2022
(with summarized comparative information for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Support				
Foundation	$ 139,034	$ 2,070,000	$ 2,209,034	$ 50,327,049
Government	2,542,844	-	2,542,844	3,027,830
Corporate	329,095	2,403,000	2,732,095	3,191,706
Individual	33,049	-	33,049	79,091
Total support	3,044,022	4,473,000	7,517,022	56,625,676
Revenue				
Contributed Services	10,000	-	10,000	-
Program service and license fees	183,625	-	183,625	182,020
Conference, seminars and other	69,728	-	69,728	5,603
Investment loss, net	(562,451)	-	(562,451)	(195,628)
Gain on debt extinguishment	-	-	-	548,800
Total revenue (loss)	(299,098)	-	(299,098)	540,795
Release from restriction	4,674,907	(4,674,907)	-	-
Total support and revenue	7,419,831	(201,907)	7,217,924	57,166,471
Expenses				
Program	18,468,120	-	18,468,120	20,641,537
Management and general	881,068	-	881,068	628,502
Fundraising	584,116	-	584,116	417,644
Total Expenses	19,933,304	-	19,933,304	21,687,683
Change in net assets	(12,513,473)	(201,907)	(12,715,380)	35,478,788
Net Assets, beginning of year	45,703,900	5,775,399	51,479,299	16,000,511
Net Assets, end of year	$ 33,190,427	$ 5,573,492	$ 38,763,919	$ 51,479,299

See accompanying notes.

Mission Asset Fund
Statements of Functional Expenses
For the Year Ended December 31, 2022

	2022			
	Program	Management and General	Fundraising	Total
Salaries	$ 4,566,348	$ 405,433	$ 349,631	$ 5,321,412
Retirement contributions	228,349	20,107	17,251	265,707
Other employee benefits	506,098	60,155	35,209	601,462
Payroll taxes	359,325	28,964	25,413	413,702
Total personnel	5,660,120	514,659	427,504	6,602,283
Scholarships and COVID relief	9,533,865	-	-	9,533,865
Contract and professional services	241,635	200,415	52,916	494,966
Survey incentives	96,157	451	372	96,980
Advertising and promotion	6,582	-	197	6,779
Office expense and supplies	233,727	24,220	21,446	279,393
Information technology	1,326,977	6,200	5,137	1,338,314
Occupancy	170,740	12,201	9,030	191,971
Travel and meals	74,790	19,248	8,203	102,241
Depreciation and amortization	70,062	1,951	1,623	73,636
Insurance	-	32,636	-	32,636
Dues, licenses, and service fees	749,826	63,429	53,627	866,882
Conference and seminars	198,043	4,864	4,057	206,964
Interest	15,000	-	-	15,000
Write offs and other	90,596	794	4	91,394
Total expenses	$ 18,468,120	$ 881,068	$ 584,116	$ 19,933,304

See accompanying notes.

Mission Asset Fund

Statements of Functional Expenses

For the Year Ended December 31, 2021

	2021			
	Program	Management and General	Fundraising	Total
Salaries	$ 3,461,159	$ 306,539	$ 251,884	$ 4,019,582
Retirement contributions	175,706	16,623	14,257	206,586
Other employee benefits	353,494	37,684	27,230	418,408
Payroll taxes	275,404	22,169	18,244	315,817
Total personnel	4,265,763	383,015	311,615	4,960,393
Scholarships and COVID relief	14,420,522	-	-	14,420,522
Contract and professional services	160,741	145,823	22,102	328,666
Survey incentives	6,867	-	-	6,867
Advertising and promotion	188	-	-	188
Office expense and supplies	296,138	28,853	20,938	345,929
Information technology	468,573	6,404	5,257	480,234
Occupancy	166,802	10,544	8,542	185,888
Travel and meals	7,789	2,724	887	11,400
Depreciation and amortization	130,208	1,518	1,226	132,952
Insurance	-	23,755	-	23,755
Dues, licenses, and service fees	683,428	24,579	46,687	754,694
Conference and seminars	772	16	15	803
Interest	15,000	-	-	15,000
Write offs and other	18,746	1,271	375	20,392
Total expenses	$ 20,641,537	$ 628,502	$ 417,644	$ 21,687,683

See accompanying notes.

Mission Asset Fund
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (12,715,380)	$ 35,478,788
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation and amortization	73,636	132,952
Provision for loan losses	13,072	5,789
Unrealized and realized loss on investment, net	1,086,758	232,763
Gain on debt extinguishment	-	(548,800)
Change in assets and liabilities:		
Accounts receivable	(626)	1,356
Contributions receivable	(159,657)	30,910
Program receivables	(247,328)	(76,792)
Prepaid expenses	(68,018)	(69,086)
Operating lease right-of-use assets	(441,999)	-
Accounts payable and accrued expenses	83,276	76,099
Accrued paid time off	75,693	39,842
Program payables	(17,282)	(11,429)
Partner funds held	15,534	73,674
Operating lease liabilities	443,677	-
Deferred revenue	697,072	1,647,048
Net cash (used in) provided by operating activities	(11,161,572)	37,013,114
Cash flows from investing activities		
Purchases of investments	(11,582,127)	(35,118,286)
Proceeds from sale of investments	14,452,710	2,222,287
Internally developed software	(174,028)	(77,133)
Purchase of fixed assets	(33,904)	(8,001)
Net cash provided by (used in) investing activities	2,662,651	(32,981,133)
Cash flows from financing activities		
Repayment of loans	(20,000)	(20,000)
Net cash used in financing activities	(20,000)	(20,000)
Net change in cash and cash equivalents	(8,518,921)	4,011,981
Cash and cash equivalents, beginning of year	15,608,939	11,596,958
Cash and cash equivalents, end of year	$ 7,090,018	$ 15,608,939
Supplemental Disclosure of Cash Flow Information		
Restricted cash	$ 80,316	$ 76,361
Interest paid	$ 15,000	$ 15,000
Operating lease right-of-use assets recorded under ASC 842	$ 575,415	$ -
Operating lease liabilities recorded under ASC 842	$ 537,799	$ -
Gain on debt extinguishment	$ -	$ 548,800

See accompanying notes.

Note 1 – Nature of Activities

Mission Asset Fund (the Organization) is a nonprofit, tax-exempt organization founded in 2007. The Organization is dedicated to helping people become visible, active, and successful in their financial lives 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 rooted in the global tradition of group lending that enables low-income families to build credit, reduce debt, and improve their financial security. In response to the COVID-19 pandemic, the Organization temporarily embedded greater flexibility in the Lending Circles program to help clients weather financial challenges, including options to implement a 3-month loan forbearance, put a one-month hold on payments, or restructure loan payments. In partnership with a nationwide network of nonprofits, the Organization provides Lending Circles through both direct programs in California and nationwide. Paired with timely, actionable, and culturally-relevant financial education, the Lending Circles program has been widely acclaimed for its impact, helping thousands of participants access safe and affordable capital, build credit, and establish a foothold in the U.S. mainstream financial system.

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 2021, against the backdrop of the COVID-19 pandemic, numerous changes in immigration policy put immigrant households' future and finances under immense strain. The Organization expanded its immigration program offerings, providing a sliding scale of credit-building loans, partial, and full grants to cover the cost of seven USCIS application fees, including humanitarian parole for Afghan refugees. In line with the COVID-related changes to the Lending Circles program, the Organization extended all loan flexibility options to apply to all immigration loans.

Business microloans – In 2012, the Organization built on the successful Lending Circles model to provide zero-interest, credit-building capital to entrepreneurs and micro-business owners in California's Bay Area. Through Lending Circles for Business, prior Lending Circles clients received business-specific technical assistance, financial coaching, and direct loans of up to $2,500 to invest in their business. In 2021, the Organization restructured the program to meet the needs of a growing community of entrepreneurs navigating the COVID-19 pandemic through new business creation. The Organization's revamped Business Microloan program serves clients across the state of California with no requirements on prior program participation. In addition, the Organization expanded offerings through MyMAF, an in-house mobile application where users are accessing pathways to financial empowerment through a vast digital financial education and coaching library.

Emergency Grants – In 2020, the Organization created the COVID-19 Rapid Response Fund, a nationwide financial relief fund to provide direct cash assistance to low wage workers, California public college students, and immigrant families excluded from federal support. Rather than disbursing grants through a first-come, first-served basis or lottery systems–approaches that further inequality by preferencing those with the best resources, access, or luck–the Organization developed a financial equity framework to direct resources to applicants facing the greatest financial hardship. Over the course of 18 months, the Organization disbursed more than 65,000 grants totaling $40M in direct relief. Beyond grants, the Organization also established Resources Finder, a new online tool to match people with relevant resources that they may be eligible for.

Recovery Program – To support people in the transition from emergency relief to long-term recovery, MAF launched an unparalleled initiative supporting the financial recovery of immigrant families excluded from federal COVID-19 relief. The Organization's Immigrant Families Recovery Program, launched at the end of 2021, is a $30M fund to provide a $400 guaranteed monthly income for up to 24 months to 3,000 immigrant families. Going beyond cash support, the program pairs monthly payments with access to the Organization's credit building products, financial education courses, one-on-one coaching, and self-advocacy training to help participants rebuild and recover faster.

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). References to fiscal year 2022 refer to the year ended December 31, 2022; fiscal year 2021 refer to the year ended December 31, 2021.

Use of 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.

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, 2021, from which the summarized information was derived.

Basis of presentation – The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – is defined as the portion of net assets that has no use or time restrictions. A portion of net assets without donor restrictions may be designated by the Organization Board of Directors as a reserve to be used for core operations as needed. For the years ended December 31, 2022 and 2021, there were no board designated net assets.

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.

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.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and cash equivalents – For purposes of the statements 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 statements 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 $80,316 and $76,361 for partner loan loss reserves is reported as part of cash and cash equivalents on the financial statements for the years ended December 31, 2022 and 2021, respectively.

Investments – Investments are stated at fair value based on quoted market prices and the net unrealized appreciation or depreciation on investments is included in the change in net assets in the accompanying statements of activities. Interest and dividend income are accrued when earned.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the statements of financial position.

Accounts receivable – Accounts receivable are primarily unsecured noninterest-bearing amounts due from customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at December 31, 2022 and 2021. 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.

Allowance for doubtful accounts – The Organization provides an allowance for loans, and contributions receivable that management believes may not be collected in full. An evaluation of the collectability of the amounts outstanding is conducted based on a combination of factors. When a specific organization is unable to meet its financial obligations (due to, for example, financial difficulties), a specific reserve is recorded. For all other organizations, the Organization recognizes reserves for bad debts based on historical collection experience. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in an organization's ability to meet its financial obligations), the Organization estimates of the recoverability of amounts due may change in the near term.

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.

Program loan receivables – Program loan receivables consists of Lending Circle and Direct Lending programs. The Organization provides an allowance for loan loss that management believes may not be collected in full. An evaluation of the collectability of the amounts outstanding is conducted based on a combination of factors. When a specific organization is unable to meet its financial obligations (due to, for example, financial difficulties), a specific reserve is recorded. At December 31, 2022 and 2021, the allowance for loan loss was $31,561 and $18,489, respectively.

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. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying value and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is recorded.

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. As of years ended December 31, 2022 and 2021, no such write-downs have occurred.

Leases – Transactions give rise to leases when the Organization receives substantially all of the economic benefits from and has the ability to direct the use of specified asset. The Organization has lessee activity classified as operating leases and are included in the operating lease right-of-use assets and operating lease liabilities in the statements of financial position.

Operating lease right-of-use assets represents the right to use an underlying asset for the lease term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the Organization uses an estimated incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended. The Organization has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

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

Paycheck Protection Program loan – The note payable issued pursuant to the Paycheck Protection Program ("PPP") administered by the United States Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") is recorded in accordance with Accounting Standards Codification ("ASC") Topic 470, *Debt—Modifications and Extinguishments—Derecognition* ("ASC 470-50-40"). The Organization has accounted for the loan forgiveness of the loan in accordance with ASC Subtopic 470-50-40 as a debt extinguishment.

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 met.

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.

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.

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 scholarship expense, at which time such funds become available for re-granting. In addition, the Organization may void awards not used after 12 months.

Expense recognition and allocation – The cost of providing the organization's programs and other activities is summarized on a functional basis in the statements of activities and statements 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 and 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 and 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. Advertising costs of $6,779 and $188 were recognized for the years ended December 31, 2022 and 2021.

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 “(IRC”) 501(c)(3) and California Revenue and Taxation Code (“RTC”) 23701d. The Organization has evaluated its current tax positions as of December 31, 2022 and 2021, and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

Recently implemented accounting standards – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842).* This ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize an ROU asset and a lease liability on the statement of financial position for all leases with lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization adopted this new lease standard on January 1, 2022, using a modified retrospective transition, with the cumulative-effect adjustment to the opening balance of accumulated deficit as of effective date (the “effective date method”). Under the effective date method, financial results reported in periods prior to 2022 are unchanged. The Organization also elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carryforward the historical lease classification. In addition, the Organization made an accounting policy election to keep leases with an initial term of twelve months of less off of the statement of financial position. The Organization will continue to recognize those lease payments for short-term leases in the statement of activities on a straight-line basis over the lease term.

The adoption recorded $441,999 and $443,677 for operating lease right-of-use assets and operating lease liabilities in the statement of financial position as of December 31, 2022. The adoption of ASU 2016-02 did not have a significant impact on the results of operations or cash flows. The adoption of ASU 2016-02 also implemented additional disclosure requirements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU No. 2020-07 is effective for the Organization for the year ending December 31, 2022. The adoption of this standard did not have a material impact on the financial statements.

Note 3 – Investments and Fair Value Measurements

Investments consisted of the following as of December 31:

	2022	2021
Corporate fixed income	$ 33,357,726	$ 37,315,067
Total	$ 33,357,726	$ 37,315,067

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.

Note 4 – Program Loan Receivables, Net

Program loan receivables, net consisted of the following for the years ended December 31:

	2022	2021
Lending Circles receivables	$ 88,953	$ 120,800
Direct lending receivables	610,150	330,975
Less: allowance for loan loss	(31,561)	(18,489)
Total	$ 667,542	$ 433,286

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:

	2022	2021
Organization	$ 22,800	$ 40,100
Partner	66,153	80,700
Total	$ 88,953	$ 120,800

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:

	2022	2021
Organization	$ 608,427	$ 329,680
Partner	1,723	1,295
Total	$ 610,150	$ 330,975

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

	2022	2021
Balance, beginning of period	$ 18,489	$ 12,700
Loans charged off	(77,470)	(12,857)
Current period provision	90,542	18,646
Total	$ 31,561	$ 18,489

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:

	2022	2021
Current (0 to 30 days)	87%	93%
Past due (31 to 90 days)	8%	4%
Delinquent (91+ days)	5%	3%
Total	100%	100%

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:

	2022	2021
Restructured loan balances	$ 55,527	$ 33,202
Restructured as percent of total balances outstanding	8%	7%

Note 5 – Property and Equipment, Net

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

	2022	2021
Furniture and fixtures	$ 92,381	$ 92,381
Computer equipment	108,014	74,110
Software - social lending platform	916,256	916,256
Leasehold improvements	34,380	34,380
Less accumulated depreciation and amortization	(1,083,125)	(1,009,489)
	67,906	107,638
Work in progress	275,962	101,934
Total	$ 343,868	$ 209,572

Note 6 – 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:

	2022	2021
Lending circle - Organization	$ 21,430	$ 37,880
Lending circle - Partner	62,887	68,810
Other program payables	10,192	5,101
Total	$ 94,509	$ 111,791

Note 7 – Partner Funds Held

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

	2022	2021
Partner loan loss reserve funds	$ 83,651	$ 85,666
Partner match and revolving loan funds	86,458	68,909
Total	$ 170,109	$ 154,575

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. If the partnership agreement is terminated or the funds are not used for the intended purposes, the Organization is required to return funds.

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. If the partnership agreement is terminated or the funds are not used for the intended purposes, the Organization is required to return funds.

Note 8 – Program Related Loans

During the year ending December 31, 2020, the Organization received two program related loans to expand loan programs to various communities. As of December 31, 2022 and 2021, the loan balances were as follows:

	2022	2021
Loan I	$ 500,000	$ 500,000
Loan II	20,000	40,000
Total	$ 520,000	$ 540,000

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

Year Ended December 31,	
2023	$ 20,000
2024	500,000
Total	$ 520,000

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 three-year loan of $60,000 with 0% interest and maturing October 1, 2023. Loan proceeds are intended to provide small dollar consumer loans that meet the needs of specific populations in their communities, in a manner that is consistent with the funders charitable purposes and social justice mission. Terms include covenants regarding loan loss reserves consistent with the Organization's internal risk assessment of its loan portfolio and consistent with its policies for managing risk, among other requirements. Principal only payments of $20,000 are due annually in October until maturity in 2023. The Organization has evaluated the donative component of this financing and determined it is not material to the financials. The first loan repayment of $20,000 was made in 2021.

In 2021, the Organization had an unsecured loan for $83,000 with 0% interest. The loan was forgiven in full by the lender in full prior to the maturity date of September 26, 2022. The Organization accounted for the loan forgiveness of the loan in accordance with ASC 470-50-40 as a debt extinguishment during 2021.

Note 9 – Paycheck Protection Program (PPP) Loan

The Organization received a Paycheck Protection Program ("PPP") loan of $465,800 granted by the Small Business Administration ("SBA") under the CARES act. The PPP loan had a stated interest of 1% with a maturity date of April 15, 2022. On April 21, 2021, the Organization was notified by the SBA that it had completed its review of the Organization's Paycheck Protection Program forgiveness application and that all principal and interest under the loan had been forgiven in full.

Note 10 – Net Assets Without Donor Restrictions

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

	2022	2021
Undesignated	$ 151,527	$ 7,133,900
Designated - Immigrant Families Recovery Program	21,086,400	30,000,000
Designated - software and equipment	1,000,000	1,000,000
Designated - revolving loan fund and loan loss	2,390,000	1,895,000
Designated - recovery and other loan funds	7,662,500	4,775,000
Designated - reserve	900,000	900,000
Total	$ 33,190,427	$ 45,703,900

Designated net assets are assets designated by management for various strategic initiatives of the Organization. These designations have been approved and agreed upon by the board but are not considered to be board designated. Designations and the allocation of net assets may change time to time based on management's strategic plan and priorities.

Note 11 – Net Assets with Donor Restrictions

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

	2022	2021
Purpose restricted	$ 4,635,992	$ 4,518,172
Restricted for future use	937,500	1,257,227
Total	$ 5,573,492	$ 5,775,399

The organization expects to expend all net assets with donor restrictions by 2024.

Note 12 – 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, 2022 are:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 7,090,018	$ 15,608,939
Investments	33,357,726	37,315,067
Accounts and contributions receivable	835,541	675,258
Program loan receivables	667,542	433,286
Financial assets, at December 31:	41,950,827	54,032,550
Less those unavailable for general expenditure within one year, due to:		
Restricted cash	(80,316)	(76,361)
Restricted net assets	(4,635,992)	(4,518,172)
Financial assets available to meet cash needs for general expenditures within one year	$ 37,234,519	$ 49,438,017

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 13 – 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 conditions have been satisfied. As of December 31, 2022, conditional grants outstanding consisted of the following:

Grant	Award	Recognized	Remaining
I	$ 1,750,000	$ 1,750,000	$ -
II	$ 100,000	$ 100,000	$ -
III	$ 3,000,000	$ 1,000,000	$ 2,000,000

The Organization met the conditions of grants I and II during the year ending December 31, 2022. In 2022, the Organization received a conditional promise to give of $3,000,000, of which $2,000,000 remains conditional as of December 31, 2022.

Note 14 – Commitments

Operating leases – The Organization is party to two leases for office space in San Francisco, California which expire August 2026 and January 2025, one of which has an option to renew for five years. The lease rates include a 3% yearly increase. As of December 31, 2022, the undiscounted future lease payments over the lease term for operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities, were as follows:

For the year ended December,

2023	$	149,529
2024		154,020
2025		106,039
2026		68,936
Total lease payments		478,524
Less: imputed interest		(34,847)
Operating lease liabilities, December 31, 2022	$	443,677

Lease expenses are recognized on a straight-line basis over the life of the lease in facilities in the statement of activities.

For the year ended December 31, 2022, other supplemental quantitative disclosures are as follows: Supplemental other information related to leases were as follows:

Cash paid for amounts included in the measurement of the lease liabilities:		
Operating cash flows used for operating lease	$	145,534
Addition of right-of-use asset obtained in the period from an operating lease	$	-

Lease Term and Discount Rate

Weighted Average Remaining Lease Term	3.4 Years
Weighted Average Discount Rate	3.00%

Toyal operating lease expense for 2022 and 2021 was $148,865, or which $3,331 was related to short-term leases, and $142,598, respectively.

Note 15 – Retirement Benefits

The Organization offers a 401(k) retirement plan (the Plan) covering all employees offered through the Organization's professional employer organization (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, 2022 and 2021 were $265,707 and $206,586, respectively.

Note 16 – 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 17 – Concentrations

Concentration of credit risk – Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization attempts to limit its credit risk associated with cash equivalents and investments by utilizing an outside investment manager to place the Organization's investments with highly rated corporate and financial institutions. Management believes that the Organization is not exposed to any significant credit risk related to concentrations.

Support and revenue – Two foundations and one county funder provided approximately 43% of total support during the year ending December 31, 2022, respectively. One foundation funder provided approximately 79% of total support during the year ending December 31, 2021, respectively.

Federal grants – Certain federal grants, including loan programs, which the Organization administers are subject to audit and final acceptance by federal granting agencies. Current year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the Organization expects such amounts, if any, would not have a significant impact on the financial position of the Organization.

Note 18 – 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 statements of functional expense.

Supplementary Information

Mission Asset Fund
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Awarding Agency and Program Title	Pass-Through Award Number	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Housing & Urban Development			
Pass through from City and County of San Francisco through Office of Economic and Workforce Development			
Community Development Block Grant - Entitlement Grants Cluster			
Community Development Block Grant (CDBG)	B-21-MC-06-0016	14.218	$ 70,000
Total U.S. Department of Housing & Urban Development and CDBG - Entitlement Grants Cluster			70,000
U.S. Department of the Treasury			
Direct Program			
Community Development Financial Institutions Rapid Response Program - Admin	21RRP056644	21.024	$ 100,858
Community Development Financial Institutions Rapid Response Program	21RRP056644	21.024	803,869
Total Community Development Financial Institutions Rapid Response Program			904,727
Pass through from the City of Daly City			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Daly City	N/A	21.027	165,200
Pass through from the City of Coachella			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Coachella	N/A	21.027	32,000
Total Coronavirus State and Local Fiscal Recovery Funds			197,200
Total U.S. Department of the Treasury			1,101,927
Total Expenditures of Federal Awards			$ 1,171,927

See accompanying notes to the schedule of expenditures of federal awards.

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Mission Asset Fund under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the cost principles contained in the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Mission Asset Fund, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mission Asset Fund.

Note 2 – Summary Of Significant Accounting Principles

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Mission Asset Fund recognizes grants to the extent that eligible grant costs are incurred. Mission Asset Fund has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Loan Programs Administered by Mission Asset Fund

Loans administered by Mission Asset Fund totaled $803,869 for the year ended December 31, 2022. The amounts shown reflect loans made to eligible borrowers by the federal government. Mission Asset Fund's responsibility over these loans is to determine eligibility and act as the disbursing agent for the loans. Loans made to borrowers in the prior years, for which the federal government is still at risk, are held by Mission Asset Fund.

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Total loans outstanding as of December 31, 2022 were $417,425.

Note 4 – Subrecipients

Mission Asset Fund did not provide federal awards to subrecipients during the year ended December 31, 2022.

Note 5 – Loans Receivable Outstanding

Below is a reconciliation of the loan receivable balances outstanding as of December 31, 2022.

Federal Awarding Agency and Program Title	Pass-Through Award Number	Assistance Listing Number	Loans Receivable as of December 31, 2021	Loans Originated	Loan Payments Received	Charge-Off's and Adjustments	Loans Receivable as of December 31, 2022
U.S. Department of the Treasury							
Direct Program							
Community Development Financial Institutions Rapid Response Program	21RRP056644	21.024	$ 194,732	$ 609,137	$ (319,119)	$ (67,325)	$ 417,425
Total U.S. Department of the Treasury			194,732	609,137	(319,119)	(67,325)	417,425
Totals			$ 194,732	$ 609,137	$ (319,119)	$ (67,325)	$ 417,425

Report of Independent Auditors 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*

Board of Directors
Mission Asset Fund

We have audited, in accordance with the 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 ("*Government Auditing Standards*"), the financial statements of Mission Asset Fund which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mission Asset Fund's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mission Asset Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Mission Asset Fund's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mission Asset Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
June 26, 2023

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Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Mission Asset Fund

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Mission Asset Fund's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Mission Asset Fund's major federal program for the year ended December 31, 2022. Mission Asset Fund's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mission Asset Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mission Asset Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Mission Asset Fund's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mission Asset Fund's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mission Asset Fund's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mission Asset Fund's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mission Asset Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mission Asset Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mission Asset Fund's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
June 26, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over the major federal programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

Federal Assistance Listing Number	*Name of Major Federal Program*	*Type of Auditor's Report Issued on Compliance for Major Federal Program*
21.024	Community Development Financial Institutions Rapid Response Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	☐ Yes ☒ No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

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