

EARNED ASSETS RESOURCE NETWORK

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Earned Assets Resource Network

Independent Auditors' Report and Financial Statements

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Independent Auditors’ Report

THE BOARD OF DIRECTORS
EARNED ASSETS RESOURCE NETWORK
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **EARNED ASSETS RESOURCE NETWORK (EARN)** which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earned Assets Resource Network as of December 31, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited EARN's December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 10, 2015

Earned Assets Resource Network

Statement of Financial Position

<i>December 31, 2014, (with comparative totals for 2013)</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 4,340,473	\$ 6,402,204
Grants, contributions and accounts receivable	141,799	162,988
Prepaid expenses and other current assets	36,509	61,487
Property and equipment, net	42,556	56,800
	\$ 4,561,337	\$ 6,683,479
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 135,822	\$ 146,862
Funds held for others	1,016,811	769,139
Grants payable	737,790	1,506,446
Deferred revenue	748,198	1,287,804
Total liabilities	2,638,621	3,710,251
Net Assets:		
Unrestricted:		
Board designated	1,000,000	1,000,000
Undesignated	370,480	795,786
Total unrestricted net assets	1,370,480	1,795,786
Temporarily restricted	552,236	1,177,442
Total net assets	1,922,716	2,973,228
	\$ 4,561,337	\$ 6,683,479

See accompanying notes to financial statements.

Earned Assets Resource Network

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014 (with comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Contributions	\$ 1,600,246	\$ 748,053	\$ 2,348,299	\$ 2,393,259
Government grants	-	-	-	8,602
Other income	22,104	-	22,104	197,028
Net assets released from restrictions	1,373,259	(1,373,259)	-	-
Total support and revenue	2,995,609	(625,206)	2,370,403	2,598,889
Expenses:				
Program services	2,061,484	-	2,061,484	3,642,988
Supporting services	738,642	-	738,642	969,964
Fundraising	620,789	-	620,789	501,851
Total expenses	3,420,915	-	3,420,915	5,114,803
Change in Net Assets	(425,306)	(625,206)	(1,050,512)	(2,515,914)
Net Assets, beginning of year	1,795,786	1,177,442	2,973,228	5,489,142
Net Assets, end of year	\$ 1,370,480	\$ 552,236	\$ 1,922,716	\$ 2,973,228

See accompanying notes to financial statements.

Earned Assets Resource Network

Statement of Functional Expenses

Year Ended December 31, 2014 (with comparative totals for 2013)

	Program Services	Supporting Services	Fundraising	2014 Total	2013 Total
Matching grants to savers	\$ 566,584			\$ 566,584	\$ 2,176,494
Depreciation and amortization		\$ 24,123		24,123	58,746
Dues, memberships and subscriptions	465	2,545	\$ 3,000	6,010	4,516
Program research and services	133,472			133,472	194,589
Events and fundrasing	25,311	2,120	76,479	103,910	184,145
Insurance		9,203		9,203	10,887
Legal, consulting and professional	464,447	202,045	75,988	742,480	540,382
Miscellaneous	678	14,260	2,359	17,297	16,833
Postage and delivery		2,383	254	2,637	5,148
Printing and production		1,572	154	1,726	5,032
Rent	1,335	180,153	103	181,591	182,789
Salaries, payroll taxes and benefits	865,225	275,646	444,233	1,585,104	1,672,371
Supplies and office expenses	2,104	5,082	1,615	8,801	13,395
Telephone, internet, communication		18,703		18,703	29,962
Travel expenses	1,863	807	16,604	19,274	19,514
	\$ 2,061,484	\$ 738,642	\$ 620,789	\$ 3,420,915	\$ 5,114,803

See accompanying notes to financial statements.

Earned Assets Resource Network

Statement of Cash Flows

<i>Year Ended December 31, 2014 (with comparative totals for 2013)</i>	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,050,512)	\$ (2,515,914)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	24,123	58,746
Changes in assets and liabilities:		
Grants, contributions and accounts receivable	21,189	686,697
Prepaid expenses and other current assets	24,978	13,025
Accounts payable and accrued expenses	(11,040)	(131,223)
Grants payable	(539,606)	455,278
Deferred revenue	(768,656)	(28,062)
Funds held for others	247,672	(86,165)
Net cash used by operating activities	(2,051,852)	(1,547,618)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(9,879)	(3,723)
Net cash used by investing activities	(9,879)	(3,723)
Net Change in Cash and Cash Equivalents	(2,061,731)	(1,551,341)
Cash and Cash Equivalents, beginning of year	6,402,204	7,953,545
Cash and Cash Equivalents, end of year	\$ 4,340,473	\$ 6,402,204

See accompanying notes to financial statements.

Earned Assets Resource Network

Notes to Financial Statements

Note 1 - Organization:

Earned Assets Resource Network (EARN) is a nonprofit organization incorporated in the State of California in December 2001. EARN provides low-wage adults and families the tools to build wealth and achieve financial goals such as saving for college, buying a first home or starting a small business. EARN provides its services in the San Francisco Bay Area through innovative financial products including matched savings accounts, checking accounts for the unbanked, and financial coaching.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

c. Description of Net Assets

EARN reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor - imposed stipulations. As of December 31, 2014 and 2013, the Board has designated \$1,000,000 of these net assets for operating reserves and future program development.

Temporarily Restricted Net Assets - the portion of net assets the use of which by the organization is limited by donor-imposed stipulations that either can be fulfilled or removed by actions of EARN or expire by passage of time.

Permanently Restricted Net Assets - the portion of net assets the use of which by EARN is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of EARN. There are no permanently restricted net assets at December 31, 2014.

Earned Assets Resource Network

Notes to Financial Statements

d. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to EARN. Contributions that are restricted by the donor, and grants and contracts are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received.

Government grants and contracts are recognized as revenue when allowable activities or expenditures under the respective awards are substantially completed or incurred. Amounts received in advance are recorded as deferred revenue until earned.

EARN uses the allowance method to account for uncollectible receivables based on previous experience and management's analysis of specific promises made. At December 31, 2014 and 2013, there was no allowance for uncollectible receivables deemed necessary by management.

e. Cash and Cash Equivalents

Cash and cash equivalents consists primarily of cash and money market funds. EARN considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

f. Funds Held for Others

EARN receives and distributes assets under certain intermediary arrangements. EARN holds such funds as funds held in trust. Distributions of such funds are managed by EARN according to the guidelines of the specific programs. These funds are held in cash accounts.

g. Property and Equipment

Property and equipment purchased by EARN is stated at cost. Property and equipment donated to EARN is recorded at estimated fair value as of the date of the gift. The cost of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets of three years. Leasehold improvements are amortized over the remaining term of the lease.

Earned Assets Resource Network

Notes to Financial Statements

h. Income Taxes

EARN is a tax-exempt organization under the provisions of the Internal Revenue Code, Section 501(c)(3), and the California Revenue and Taxation Code, Section 23701(d). Accordingly, no provision for federal and state income taxes has been reflected in these financial statements.

Management evaluated EARN's tax positions and concluded that EARN had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

i. Functional Allocation of Expenses

The costs of providing EARN's various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the estimates of employees' time and on usage of resources.

j. Comparative Information

The accompanying financial statements include certain comparative information for which the prior year information is summarized in total. In particular, prior year information is not disclosed by net asset class on the accompanying Statement of Activities and Changes in net Assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with EARN's financial statements for the year ended December 31, 2013, from which the summarized information is derived.

k. Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued an update which requires a not-for-profit entity to classify sale proceeds of donated financial assets consistent with cash donations as an operating activity, if such assets were converted nearly immediately into cash, unless the donor restricted the use of the proceeds to long-term purposes, in such case those cash receipts should be classified as a financing activity. If those assets were not immediately converted to cash, then proceeds upon sale should be classified as an investing activity. This guidance is effective prospectively for fiscal years or interim periods beginning after June 15, 2013. The adoption of this guidance did not have a material effect on EARN's financial statements.

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (IFRS), FASB issued an update related to the revenue recognition from contracts. The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and

Earned Assets Resource Network

Notes to Financial Statements

is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The update provides alternative methods of initial adoption and is effective for annual periods beginning after December 15, 2018. Early adoption is not permitted. EARN will evaluate the impact that this standard will have on the financial statements.

In April 2013, the FASB issued an update related to the accounting for the services Received from Personnel of an Affiliate. The update requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring such service at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service at either: (a) the cost recognized by the affiliate for the personnel providing that service, or (b) the fair value of that service. This guidance is effective prospectively for annual periods, beginning after June 15, 2014. EARN does not believe that the adoption of this update will have a material impact on its financial statements.

1. Subsequent Events

Management has evaluated subsequent events through December 10, 2015, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

Note 3 - **Grants, Contributions and Accounts Receivable:**

Grants, contributions and accounts receivable as of December 31 are summarized as follows:

	2014	2013
Grants and contributions receivable	\$ 133,049	\$ 154,238
Other accounts receivable	8,750	8,750
	<hr/>	<hr/>
	\$ 141,799	\$ 162,988

The majority of these receivables is expected to be collected within one year.

Earned Assets Resource Network

Notes to Financial Statements

Note 4 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2014	2013
Computer equipment	\$ 154,819	\$ 144,940
Software (Website and Database)	368,381	368,381
Office equipment	39,708	39,708
Leasehold improvements	52,239	52,239
	<hr/>	<hr/>
	615,147	605,268
Less: accumulated depreciation and amortization	(572,591)	(548,468)
	<hr/>	<hr/>
	\$ 42,556	\$ 56,800

Depreciation and amortization expense amounted to \$24,123 and \$58,746 for the years ended December 31, 2014 and 2013, respectively.

Note 5 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at December 31:

	2014	2013
Matching grants available to savers		\$ 310,302
Financial services and operations	\$ 552,236	867,140
	<hr/>	<hr/>
	\$ 552,236	\$ 1,177,442

Net assets were released from restrictions by incurring expenditures satisfying the restricted purposes, or by occurrences of other events specified by donors, as follows:

	2014	2013
Matching grants to savers	\$ 310,302	\$ 2,167,891
Financial services and operations	1,062,957	1,800,441
	<hr/>	<hr/>
	\$ 1,373,259	\$ 3,968,332

Earned Assets Resource Network

Notes to Financial Statements

Note 6 - Commitments and Contingencies:

Grants and Contracts

Amounts received and expended by EARN under federal funded programs are subject to audit by cognizant governmental agencies. EARN's management believes that potential adjustments, if any, resulting from such audits will not have a significant effect on the financial statements.

Commitments to Match Saver's Deposits

At December 31, 2014 and 2013, EARN had commitments of approximately \$281,000 and \$1,005,000, respectively, to provide matching grants to savers who are in the process of saving but have not yet met their goals or the program requirements.

Lease Commitments

EARN leases office space and equipment under non-cancelable operating leases expiring through April 2016. Future minimum annual lease payments are approximately as follows:

Year ended	
December 31,	
2015	\$ 189,932
2016	63,486
	<hr/>
	\$ 253,418

Rent expense for the years ended December 31, 2014 and 2013 were \$181,591 and \$182,789, respectively.

Note 7 - Retirement Plan:

All full-time EARN employees are eligible to participate in a qualified 401(k) retirement plan (the "Plan"). Employees are eligible to contribute to the Plan on their dates of hire. EARN's contributions, which cover employees who complete six months of service, are discretionary. Employees' contributions are fully vested at all times, whereas EARN's contributions vest in three years. EARN contributed \$70,261 and \$78,331 on behalf of employees participating in the plan for the years ended December 31, 2014 and 2013, respectively.

Earned Assets Resource Network

Notes to Financial Statements

Note 8 - Concentration of Risk:

Financial instruments which subject EARN to concentrations of credit risk consist principally of cash deposits, grants and donations receivable.

EARN has maintained cash deposits with financial institutions in operation and money market accounts in excess of federally insured limits.

Grants and donations receivable consist of unsecured amounts due from individuals and foundations.