



Certified Public Accountants
and Financial Advisors

EARN, INC. DBA SAVERLIFE
Financial Statements
December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Earn, Inc. DBA Saverlife

Report on the Financial Statements

We have audited the accompanying financial statements of Earn, Inc. DBA Saverlife (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

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 Earn, Inc. DBA Saverlife as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited EARN, Inc. DBA Saverlife's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
October 22, 2020

EARN, INC. DBA SAVERLIFE
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(with summarized comparative totals at December 31, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,513,245	\$ 1,898,362
Grants and contributions receivable	2,506,498	260,441
Accounts receivable	95,078	40,790
Prepaid expenses and other current assets	81,771	109,331
Property and equipment - net	22,332	11,538
Intangible assets - net	151,578	737,320
Total assets	<u><u>\$ 4,370,502</u></u>	<u><u>\$ 3,057,782</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 287,473	\$ 314,008
Saver incentives payable	18,772	78,743
Deferred revenue	101,250	27,500
Total liabilities	<u>407,495</u>	<u>420,251</u>

Net Assets

Net assets without donor restrictions:		
Board designated	1,100,000	990,000
Undesignated	55,453	836,715
Total net assets without donor restrictions	<u>1,155,453</u>	<u>1,826,715</u>
Net assets with donor restrictions	<u>2,807,554</u>	<u>810,816</u>
Total net assets	<u>3,963,007</u>	<u>2,637,531</u>
Total liabilities and net assets	<u><u>\$ 4,370,502</u></u>	<u><u>\$ 3,057,782</u></u>

EARN, INC. DBA SAVERLIFE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	2019			2018
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Contributions	\$ 3,032,859	\$ 3,285,616	\$ 6,318,475	\$ 4,069,827
Program service fees	383,173	47,500	430,673	197,476
In-kind contributions	163,768	-	163,768	86,238
Net assets released from restrictions	<u>1,336,378</u>	<u>(1,336,378)</u>	<u>-</u>	<u>-</u>
Total support and revenue	4,916,178	1,996,738	6,912,916	4,353,541
EXPENSES:				
Program services	4,575,770	-	4,575,770	3,570,375
Management and general	623,405	-	623,405	366,997
Fundraising	<u>388,265</u>	<u>-</u>	<u>388,265</u>	<u>384,229</u>
Total expenses	5,587,440	-	5,587,440	4,321,601
Change in net assets	(671,262)	1,996,738	1,325,476	31,940
Net assets - beginning of year	<u>1,826,715</u>	<u>810,816</u>	<u>2,637,531</u>	<u>2,605,591</u>
Net assets - end of year	<u>\$ 1,155,453</u>	<u>\$ 2,807,554</u>	<u>\$ 3,963,007</u>	<u>\$ 2,637,531</u>

EARN, INC. DBA SAVERLIFE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	2019				2018
	Program Services	Management and General	Fundraising	Total	
Personnel, payroll taxes, and benefits	\$ 1,426,020	\$ 218,507	\$ 290,743	\$ 1,935,270	\$ 1,527,842
Depreciation and amortization	756,665	7,206	-	763,871	544,839
Technology	645,095	-	-	645,095	534,696
Consulting and professional fees	283,329	191,486	38,256	513,071	236,597
Grant expense	437,843	-	-	437,843	350,787
Web-based services	265,472	27,401	6,975	299,848	161,509
Facilities	176,019	18,775	39,898	234,692	225,198
Saver incentives	201,706	-	-	201,706	393,497
Marketing, website, and social media	137,916	57,755	713	196,384	135,216
In-kind legal expense	163,768	-	-	163,768	86,238
Miscellaneous	17,860	45,127	1,110	64,097	40,634
Travel expenses	42,356	10,404	4,775	57,535	34,576
Supplies and office expenses	14,298	24,743	5,795	44,836	33,032
Events	4,518	12,238	-	16,756	4,501
Insurance	2,905	9,763	-	12,668	12,439
Total	\$ 4,575,770	\$ 623,405	\$ 388,265	\$ 5,587,440	\$ 4,321,601

EARN, INC. DBA SAVERLIFE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,325,476	\$ 31,940
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	763,871	544,839
Changes in operating assets and liabilities:		
Grants and contributions receivable	(2,246,057)	51,488
Accounts receivable	(54,288)	86,052
Prepaid expenses and other current assets	27,560	(61,146)
Accounts payable and accrued expenses	(26,535)	(121,963)
Saver incentives payable	(59,971)	2,037
Deferred revenue	73,750	(431,878)
Net cash (used in) provided by operating activities	<u>(196,194)</u>	<u>101,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(18,000)	(4,909)
Acquisition of intangible assets	(170,923)	(526,803)
Net cash used in investing activities	<u>(188,923)</u>	<u>(531,712)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(385,117)	(430,343)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,898,362</u>	<u>2,328,705</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,513,245</u>	<u>\$ 1,898,362</u>

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. ORGANIZATION

Earn, Inc. DBA Saverlife (the "Organization"), is a nonprofit organization incorporated in the State of California in December 2001. The Organization provides low-income adults and families with tools to build wealth, achieve financial goals, and develop a habit of saving. The Organization provides its services nationwide through an innovative technology-based platform.

The Organization's programs are funded primarily through contributions.

2. SUMMARY OF SIGIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles in the United States of America ("U.S. GAAP").

Basis of Presentation

The Organization reports 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

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board has designated \$1,100,000 of these net assets for operating reserves and future program development.

Net assets with donor restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When net assets subject to donor imposed restrictions are received and then subsequently released in the same year they are classified as net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 interest rates applicable to the years in which the promises are received.

Program service fees represent amounts earned by providing services to savers. Amounts paid in advance of services performed are classified as deferred revenue.

The Organization uses the allowance method to account for uncollectible receivables based on previous experience and management's analysis of specific promises made. At December 31, 2019, there was no allowance for uncollectible receivables deemed necessary by management.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment purchased by the Organization is stated at cost. The cost of additions and major improvements over \$2,000 are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful life. The estimated useful lives of these assets are as follows:

Furniture and equipment	5 to 15 years
Computer equipment	3 to 5 years
Leasehold improvements	Lesser of lease term or asset life

Intangible Assets

Intangible assets include purchased technology for use on the Organization's SaverLife platform ("SaverLife"). Intangible assets purchased by the Organization is stated at cost. The costs for additions and major improvements associated with SaverLife after the preliminary project stage has been completed are capitalized. Once SaverLife reaches implementation, costs are expensed as incurred. Other costs such as maintenance and repairs and training are expensed as incurred. All major upgrades and enhancements are capitalized. SaverLife is amortized using the straight-line method over the estimated useful life of 3 years.

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Organization evaluates long-lived assets, such as property and equipment or intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows.

Deferred Rent

The Organization's lease agreement for their office building provide for rent escalations during the lease term. The Organization records rent expense on a straight-line basis over the term of the lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds actual rent payments. At December 31, 2019, accrued rent amounted to \$45,576 and is included in accounts payable and accrued expenses on the Statement of Financial Position.

Income Taxes

The Organization 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 the Organization's tax positions and concluded that the Organization 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.

Functional Allocation of Expenses

The costs of providing the Organization'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.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail in constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Organization for the fiscal year ending December 31, 2022. The Organization is currently evaluating the timing of its adoption and its impact on its financial statements.

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-19”). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are transferred to customers. The new standard will be effective for the Organization for the year ending December 31, 2020. The Organization is currently evaluating its impact on its financial statements.

3. NEW ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU 2018-08, *clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The adoption of ASU 2018-08, under the prospective method effective January 1, 2019, did not have a material effect on the Organization’s financial position or results of operations.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations come due on a monthly basis, at a minimum. The Organization has a \$1,000,000 line of credit, which it could draw upon in the event of a liquidity need. No funds have been previously borrowed from this line of credit, which was secured in July 2019. Board designated net assets of \$1,100,000, which are designated for operating reserves and future program development, are included in cash and cash equivalents, and per the Board designated reserve policy can be used for cash flow.

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,513,245
Grants and contributions receivable	2,506,498
Accounts receivable	<u>95,078</u>
Total financial assets	<u>4,114,821</u>
Less: net assets with donor restrictions	<u>(2,807,554)</u>
Total financial assets available within one year for general expenditures	<u><u>\$ 1,307,267</u></u>

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2019, grants and contributions consist of the following:

Receivables due in less than one year	\$ 2,315,808
Receivables due in one to five years	<u>200,000</u>
	2,515,808
Less - present value discount	<u>(9,310)</u>
	<u><u>\$ 2,506,498</u></u>

Grants and contributions receivables due in more than one year are reflected at the net present value of the estimated future cash flows using a discount rate of 4.75%.

6. PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consisted of the following:

Computer equipment	\$ 52,715
Office equipment	<u>2,993</u>
	55,708
Less: accumulated depreciation	<u>(33,376)</u>
	<u><u>\$ 22,332</u></u>

Depreciation expense amounted to \$7,206 for the year ended December 31, 2019.

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

7. INTANGIBLE ASSETS

At December 31, 2019, intangible assets consisted of the following:

Technology platform	\$ 1,735,851
Less: accumulated amortization	<u>(1,584,273)</u>
	<u>\$ 151,578</u>

The following is the future estimated amortization of intangible assets:

<u>Year ending December 31,</u>	
2020	\$ 56,974
2021	56,974
2022	<u>37,630</u>
	<u>\$ 151,578</u>

Amortization expense amounted to \$756,665 for the year ended December 31, 2019.

8. LINE OF CREDIT

The Organization has a revolving line of credit with a bank that allows for total borrowings of \$1,000,000 through July 9, 2020. For the year and at December 31, 2019, there was no amount utilized and outstanding on the line of credit, respectively. The line of credit is subject to certain covenants and restrictions as defined in the line of credit agreement. The line of credit bears interest equal to the greater of 6.0% per annum or the base rate plus 0.50% per annum (3.75% per annum at December 31, 2019). At December 31, 2019, the effective interest rate on the line was 6.0% per annum.

9. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions consist of the following:

Subject to passage of time	\$ 940,690
Subject to specified purpose	
Financial services and operations	<u>1,866,864</u>
	<u>\$ 2,807,554</u>

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

In the year ended December 31, 2019, net assets were released from restrictions by incurring expenditures satisfying the restricted purposes, or by occurrences of other events specified by donors, as follows:

Saver incentives	\$ 80,577
Financial services and operations	<u>1,255,801</u>
	<u>\$ 1,336,378</u>

10. CONDITIONAL GRANTS

In 2019, the Organization received \$625,000 conditional grants from two foundations and organizations to support the Organization's programs. The condition is based upon the progress of the programs. Based on the fulfillment of the condition, the Organization recognized grants and contributions revenue amounting to \$262,500 during the year ended December 31, 2019.

11. COMMITMENTS

Commitments to Match Saver's Deposits

At December 31, 2019, the Organization had commitments of approximately \$18,838 to provide incentives to savers who are in the process of saving but have not yet met program requirements.

Lease Commitments

The Organization leases office space and equipment under non-cancelable operating leases expiring through March 1, 2022. Future minimum annual lease payments approximate the following:

<u>Year ended December 31,</u>	
2020	\$ 237,668
2021	244,798
2022	<u>42,024</u>
Total	<u>\$ 524,490</u>

Rent expense for the year ended December 31, 2019 was \$234,692.

EARN, INC. DBA SAVERLIFE
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

12. RETIREMENT PLAN

All full-time 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. The Organization’s contributions, which cover employees who complete three months of service, are discretionary. Contributions are fully vested at all times. The Organization contributed \$75,669 on behalf of employees participating in the plan for the year ended December 31, 2019.

13. CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and grants and contributions receivable. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor).

At December 31, 2019, four donors accounted for approximately \$1,940,690 or 75% of total grants and contributions receivables.

14. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, as of March 2020, the California State Governor ordered the closure of the physical location of every business, except those identified in the “critical infrastructure sectors,” for a limited period of time. The outbreak has led to severe disruptions and uncertainty to economic conditions and credit and capital markets and funding sources. The duration and economic impact of the outbreak is uncertain but it is possible operations may be negatively impacted. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation management cannot estimate the impact to the financial statements.

Subsequent to year-end, the Company has applied for and was approved for the Paycheck Protection Program loan under the Coronavirus Aid, Relief, and Economic Security Acts (CARES Act) in the amount of \$320,857. The loan bears interest of 1.00% and matures in April 2022.

Management has evaluated events and transactions for potential recognition or disclosure through October 22, 2020, which represents the date the financial statements were available to be issued.