DEBTWAVE CREDIT COUNSELING, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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Matranga & Company
An Accountancy Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Debtwave Credit Counseling, Inc.

We have audited the accompanying financial statements of financial position of Debtwave Credit Counseling, Inc. (a California corporation), which compromise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of 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 principles used and the reasonableness of significant 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Debtwave Credit Counseling, Inc., as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenses on page 16 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Matranga & Company

San Diego, California
March 6, 2015

DEBTWAVE CREDIT COUNSELING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
Cash - unrestricted	$ 379,943	$ 332,775
Client trust funds - restricted (Note 1)	94,251	55,982
Accrued income	20,411	31,097
Prepaid expenses	14,346	42,762
Total current assets	508,951	462,616
Fixed assets - net (Note 2)	51,922	77,658
Other Assets:		
Deposit	50,914	54,270
Total assets	$ 611,787	$ 594,544

LIABILITIES AND NET ASSETS

	2014	2013
Accounts payable	$ 17,360	$ 47,111
Accrued expenses (Note 3)	33,386	93,672
Client creditor payables (Note 1)	94,251	55,982
Total current liabilities	144,997	196,765
Total liabilities	144,997	196,765
Commitments and contingencies (Notes 5 and 7)		
Net assets (Unrestricted)	466,790	397,779
Total liabilities and net assets	$ 611,787	$ 594,544

See independent auditor's report and accompanying notes to the financial statements.

DEBTWAVE CREDIT COUNSELING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2014 AND 2013

	2014	2013
Revenues, Gains and Other Support		
Service fee revenue	$ 1,794,659	$ 1,840,953
First pay revenue	102,038	88,973
Fairshare	729,745	900,389
Grant income	669,987	647,762
Other income	40	903
Total revenues, gains and other support	3,296,469	3,478,980
Less service fee refunds	0	(12,207)
Total revenues, gains and other support (net)	3,296,469	3,466,773
Expenses (Schedule I)	3,227,458	3,800,289
Increase (decrease) in net assets (Unrestricted)	69,011	(333,516)
Net assets (Unrestricted) at beginning of year	397,779	731,295
Net assets (Unrestricted) at end of year	$ 466,790	$ 397,779

See independent auditor's report and accompanying notes to the financial statements.

DEBTWAVE CREDIT COUNSELING, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	$ 69,011	$ (333,516)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,195	40,399
Change in operating assets:		
Client trust funds - restricted	38,269	(72,681)
Accrued income	10,686	6,853
Prepaid expenses	28,416	(14,479)
Deposits	3,356	(37,425)
Accounts payable	(29,751)	(19,344)
Accrued expenses	(60,286)	61,793
Client creditor payables	(38,269)	72,681
Net cash (used in) provided by operating activities	53,627	(295,719)
Cash Flows From Investing Activities		
Purchases of fixed assets	(6,459)	(20,605)
Cash Flows From Financing Activities		
	0	0
Net (decrease) increase in cash	47,168	(316,324)
Cash at Beginning of Year	332,775	649,099
Cash at End of Year	$ 379,943	$ 332,775
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 0	$ 0
Taxes	$ 0	$ 0

See independent auditor's report and accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Business Activity

Debtwave Credit Counseling, Inc. (the "Company") is a California non-profit public benefit corporation organized for charitable purposes and exempt from taxation under the Internal Revenue Code, and incorporated June 27, 2001. The purpose of the Company is to assist needy debtors in improving their finances through educating them as to better means of managing their money and seeking for them, if appropriate, an extension or other reorganization of their debts.

Use of Estimates

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

Income Taxes

The Company is generally exempt from income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and comparable statutes of California.

The Company files exempt organization business income tax returns in the U.S. federal jurisdiction and the California, state jurisdiction. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2011.

Cash and Cash Equivalents

The Company maintains cash on deposit with financial institutions, which are insured for a maximum of $250,000 during 2014 and 2013, by the U.S. Federal Deposit Insurance Corporation (FDIC). At various times throughout the year the Company's cash balances may be in excess of the FDIC limit. The Company considers cash equivalents to include only highly liquid temporary investments purchased with an original maturity of three months or less.

Client Trust Funds-Restricted

The Company maintains bank accounts that are held in trust for the clients' creditor payables. All cash received from the Company's clients is deposited into these accounts. These accounts were controlled by the Company at December 31, 2014 and 2013.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fixed Assets

Assets donated for use by the Company in carrying out its exempt purpose, along with assets purchased with contributions restricted to the purchase of fixed assets, are considered temporarily restricted for the useful life of the asset. Restrictions are satisfied by the expiration of the assets' usefulness (depreciation).

The Company's policy is to capitalize assets with a useful life of greater than one year and a value of $500 or more. The basis for valuation of fixed assets is cost, if purchased, and estimated fair value on the date of contribution, if contributed.

Depreciation is provided on the double-declining balance method with a half-year convention over the estimated useful lives of the related assets, which range from three to thirty nine years.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Company, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. The Company follows the provisions of Statement of Financial Accounting Standards Accounting Standards Codification (ASC 958), Financial Statements of Not-for-Profit Entities" (ASC 958). The ASC 958 established standards for general-purpose external financial statements provided by not-for-profit organizations, in order to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. ASC 958 also requires that net assets, revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted, as follows:

(1) Unrestricted net assets represent the portion of expendable funds that are available for support of the operations as determined by the Board of Directors of the Company.

(2) Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire by the passage of time. Temporarily restricted contributions whose restrictions are met in the same reporting period as the contributions are received are reflected as unrestricted contributions.

(3) Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Company.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue Recognition

The Company follows the provisions of Statement of Financial Accounting Standards Board Accounting Standards Codification (ASC 958-605-25), "Financial Statements of Not-for-Profit Entities- Revenue Recognition" (ASC 958-605-25).

The Company recognizes unconditional promises to give upon receipt of the promise. Conditional promises to give are recognized upon determination that there is only a remote possibility that the donor conditions will not be met.

Contributed services that meet the criteria outlined by (ASC 958-605-25-16) are recognized as a contribution and an expense.

Fair Value of Financial Instruments

Effective January 1, 2009, the Company adopted the provisions of FASB ASC 820-10 which provides a framework for measuring fair value under GAAP. It defines fair value 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. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair Value of Financial Instruments (Cont.)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value.

Cash and Cash Equivalents, prepaid expenses, accrued income and deposits. The carrying amount is a reasonable estimate of fair value.

Accounts Payable, Creditor Payable and Accrued Expenses. The carrying value of accounts payable, creditor payable and accrued expenses approximates the fair value due to the short-term nature of these instruments.

NOTE 2 - FIXED ASSETS

Fixed assets consisted of the following:

	2014	2013
Furniture and fixtures	$ 92,332	$ 92,332
Computer systems	200,188	197,253
Software	286,318	283,462
Phone system	44,951	44,951
Equipment	3,068	2,400
Leasehold Improvements	24,992	24,992
Total fixed assets	651,849	645,390
Less accumulated depreciation	(599,927)	(567,732)
Total fixed assets - net	$ 51,922	$ 77,658

Depreciation expense was $32,195 and $40,399 for the years ended December 31, 2014 and 2013, respectively.

NOTE 3 - ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	2014	2013
Vacation accrual	$ 33,386	$ 32,799
Payroll expenses	0	60,873
Total accrued expenses	$ 33,386	$ 93,672

NOTE 4 - RELATED PARTY TRANSACTIONS

Contributed Services

During 2014 and 2013, the President donated his personal services to the Company. No expense or support has been recognized.

Consulting

During 2014 and 2013 software development fees of $0 and $235,400, respectively, were paid to Triple Three, Inc. a company owned by the President. During 2014 and 2013 the Company also paid $2,800 and $193,225, respectively to NDP Services, Inc. a company owned by the President. During 2014 the Company also paid $114,620 to Coastal Credit and Debt Ventures, LLC a company owned by the President. During 2013 the Company also paid $741,698 to Fedcom Technology a company owned by the sister of the President. During 2014 the Company also paid $279,862 to Qinnix, Inc. a company owned by the sister of the President.

NOTE 5 - COMMITMENTS

Operating Lease

The Company leased its facilities under a non-cancelable operating lease, which expired February 28, 2014, at $9,816 per month during 2014 and 2013.

Beginning December of 2013 the Company began leasing a new facility under a non-cancelable operating lease which expires August 31, 2019. Monthly rent under this lease for 2014 is $11,511 per month with the first six months of rent being abated per the lease agreement. Monthly rent under this lease for 2015 is $11,511 per month for two months and $11,865 for eight months with two months of rent being abated per the lease agreement.

Rent expenses for 2014 and 2013 under the terms of the leases amounted to $110,077 and $117,507, respectively.

NOTE 5 – COMMITMENTS (Cont.)

Future minimum rental payments required under this lease is as follows:

Year Ending	Amount Due
2015	$ 117,942
2016	133,703
2017	150,172
2018	154,422
2019	105,900
Thereafter	0
Total	$ 662,139

NOTE 6 – CONCENTRATIONS

Credit Risk

The Company maintains cash balances at financial institutions located primarily in San Diego. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation up to $250,000. Management believes that the Company is not exposed to any significant credit risk on cash.

NOTE 7 – CONTINGENCIES

The Company was incorporated in 2001, and to date, has not received public support per the Internal Revenue Service test and as such may lose its public charity status and become a private foundation.

NOTE 8 – RETIREMENT PLAN

Effective January 1, 2005, the Company has a 401(k) Plan ("Plan") to provide retirement and incidental benefits for its employees. Employees may contribute from 1% to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company, at its discretion, can match employee contributions to the Plan. All matching contributions vest fully after three years of service. Company matching contributions to the Plan totaled $36,530 and $52,765 in 2014 and 2013, respectively.

NOTE 9 – DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through March 6, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DEBTWAVE CREDIT COUNSELING, INC.
SCHEDULE I - SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Accounting	$ 25,950	$ 31,813
Advertising	141,416	0
Bank fees	3,922	3,987
Client services	84,355	86,978
Computer expense	3,093	10,001
Conferences/meetings	214	480
Consulting (Note 4)	401,517	1,208,733
Contributions	0	528
Depreciation	32,195	40,399
Dues and subscriptions	16,919	21,346
Equipment rental	4,356	5,602
Insurance	96,880	107,246
Integrant fees	51,662	48,669
Internet/web hosting	3,242	15,718
Legal and professional fees	312,851	36,808
Licenses and permits	58,185	72,238
Marketing expenses	130,218	80,052
Meals and entertainment	20,517	25,786
Moving expenses	0	11,393
Office supplies/expense	21,566	23,942
Payroll service	5,095	5,200
Payroll taxes	123,033	132,431
Pension contributions (Note 8)	36,530	52,765
Postage	31,235	27,322
Printing	8,723	6,290
Property tax	1,626	1,442
Rent (Note 5)	110,077	117,507
Salaries	1,440,327	1,544,618
Security	617	1,243
Telephone	49,657	49,113
Travel	8,938	12,742
Utilities	2,542	17,897
Total expenses	$ 3,227,458	$ 3,800,289

See independent auditor's report and accompanying notes to the financial statements.