

INNER CITY ADVISORS AND
FUND GOOD JOBS

DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Inner City Advisors and Fund Good Jobs

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
INNER CITY ADVISORS and
FUND GOOD JOBS
Oakland, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **INNER CITY ADVISORS and FUND GOOD JOBS**, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inner City Advisors and Fund Good Jobs as of December 31, 2018, and the consolidated 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 the consolidated financial statements of Inner City Advisors and Fund Good Jobs as of and for the year ended December 31, 2017 and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated May 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As described in Note 2, Inner City Advisors and Fund Good Jobs adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

Hood & Strong LLP

San Jose, California
May 31, 2019

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Financial Position

<i>December 31, 2018 (with comparative totals for 2017)</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 2,289,537	\$ 1,269,812
Pledges receivable	922,500	1,410,000
Government grant receivable		197,240
Accrued interest receivables, net	152,880	131,102
Other receivables	117,000	
Cash restricted for investment in qualified businesses	421,822	425,198
Investments in qualified businesses, net	2,353,070	2,007,476
Other assets	14,109	20,053
Total Assets	\$ 6,270,918	\$ 5,460,881
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 92,159	\$ 153,538
Notes payable	2,350,000	2,350,000
Total liabilities	2,442,159	2,503,538
Net Assets:		
Without donor restrictions	1,990,822	1,115,777
With donor restrictions	1,837,937	1,841,566
Total net assets	3,828,759	2,957,343
Total Liabilities and Net Assets	\$ 6,270,918	\$ 5,460,881

See accompanying notes to consolidated financial statements.

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018 (with comparative totals for 2017)

	2018			2017
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Revenues and Support:				
Contributions and grants	\$ 254,870	\$ 2,517,500	\$ 2,772,370	\$ 2,262,838
Contributed services	254,625		254,625	593,500
Government grant		52,760	52,760	197,240
Other income	74,318		74,318	19,510
Interest income from qualified businesses	120,487		120,487	125,502
Fees and other investment income from qualified businesses	110,944		110,944	38,251
Contributed interest income	84,375		84,375	119,125
Net assets released from restrictions	2,573,889	(2,573,889)	-	-
Total revenue and support	3,473,508	(3,629)	3,469,879	3,355,966
Expenses:				
Program services	2,069,331		2,069,331	2,155,195
Management and general	219,922		219,922	284,453
Fundraising and development	309,210		309,210	420,013
Total expenses	2,598,463	-	2,598,463	2,859,661
Total Change in Net Assets	875,045	(3,629)	871,416	496,305
Net Assets, beginning of year	1,115,777	1,841,566	2,957,343	2,461,038
Net Assets, end of year	\$ 1,990,822	\$ 1,837,937	\$ 3,828,759	\$ 2,957,343

See accompanying notes to consolidated financial statements.

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2018 (with comparative totals for 2017)</i>	2018	2017
Operating Activities:		
Change in net assets	\$ 871,416	\$ 496,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in loan loss reserve for notes and accrued interest receivable from qualified businesses	43,853	104,178
Depreciation	5,439	6,093
Unrealized gain on equity investment	(9,500)	
Assessment of penalties on notes receivable	(40,000)	
Changes in operating assets and liabilities:		
Pledges receivable	487,500	83,986
Government grant receivable	197,240	(197,240)
Accrued interest receivables	(26,256)	(53,453)
Other receivables	(117,000)	
Other assets	505	(504)
Accounts payable and accrued expenses	(61,379)	(76,831)
Net cash provided by operating activities	1,351,818	362,534
Investing Activities:		
Assets released under collateral agreement	6,890	6,049
Equity investment in qualified businesses	(100,000)	
Issuance of notes receivable to qualified businesses	(300,000)	(75,000)
Repayments on notes receivable from qualified businesses	57,641	58,249
Net cash used by investing activities	(335,469)	(10,702)
Net Change in Cash and Cash Equivalents	1,016,349	351,832
Cash and Cash Equivalents, beginning of year	1,695,010	1,343,178
Cash and Cash Equivalents, end of year	\$ 2,711,359	\$ 1,695,010
Supplemental Cash Flow Information:		
Cash and cash equivalents	\$ 2,289,537	\$ 1,269,812
Cash restricted for investment in qualified businesses	421,822	425,198
	\$ 2,711,359	\$ 1,695,010

Interest paid for each of the years ending December 31, 2018 and 2017 was \$37,500.
There were no amounts paid for income taxes.

See accompanying notes to consolidated financial statements.

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Salaries and related benefits	\$ 851,885	\$ 110,721	\$ 230,287	\$ 1,192,893
Professional fees, including in-kind of \$254,625	422,260	70,497	5,776	498,533
Grants	300,000			300,000
Interest, including in-kind of \$142,265	182,125	14,088		196,213
Occupancy	70,399	10,640	14,821	95,860
Marketing	43,733		18,530	62,263
Write-down of investments in qualified businesses	61,532			61,532
Professional development	36,136		15,487	51,623
Office supplies	38,260	4,027	8,055	50,342
Travel	18,274	88	7,648	26,010
Other expenses	44,727	9,861	8,606	63,194
Total expenses	\$ 2,069,331	\$ 219,922	\$ 309,210	\$ 2,598,463

See accompanying notes to consolidated financial statements.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Note 1 - Nature of Organization:

Inner City Advisors (ICA) is a California not-for-profit organization established in 1996. It is a nationally recognized organization whose mission is to educate, accelerate and invest in high-growth small businesses in order to create good jobs for people with high barriers to employment.

Fund Good Jobs, Inc. (the Fund) is a California not-for-profit organization established in 2013. The Fund's mission is to provide small businesses with the capital and support they need to grow and create jobs for those who need them most. The Fund secures philanthropic funding through program-related investments (PRIs), government grants and donations to make tailored investments in the form of blended capital in high-need, high-growth qualified businesses that create good jobs. The Fund is a certified Community Development Financial Institution.

ICA and the Fund (collectively, the Organization) operate primarily in the San Francisco Bay Area.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The Organization's consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

b. Principles of Consolidation

The accompanying consolidated financial statements as of December 31, 2018, include the financial statements of ICA and the Fund. All intercompany accounts have been eliminated in consolidation. ICA and the Fund share common management and Board of Directors.

c. Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information in total, but not in sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

d. Description of Net Assets

The Organization reports information regarding its consolidated financial position and activities in the following classes of net assets:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

e. Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Cash and Cash Equivalents, including Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash that is restricted by the lender for investments in qualified businesses is classified as such.

g. Investments in Qualified Businesses

The Organization makes investments in qualified businesses for the specific objective of furthering the Organization's mission. These investments may be in the form of loans, convertible notes, equity investments or guarantees.

Loans and convertible notes are carried at amortized cost. The Organization considers various factors as of the date of the consolidated financial statements in evaluating the credit quality of loans from qualified businesses, including the value of collateral, if any, historical collection experience and the Organization's assessment of the counterparties' ability to repay their obligations. As of December 31, 2018, management has assessed the loan loss reserve over the notes receivables from qualified businesses at \$135,922 and the reserve over accrued interest receivables at \$21,583.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Equity investments are stated at fair value as determined by the most recent equity financing event. The value is reviewed annually by management for impairment and may be reduced based on a company's performance and long-term financial prospects.

h. Fair Value Measurements

The Organization classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Organization's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

i. Property and Equipment

The Organization capitalizes acquisitions of property and equipment with a cost or value in excess of \$3,000 and with an estimated useful life of greater than one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of the asset life or the lease term. Net property and equipment at December 31, 2018 was \$5,439 and was included in other assets on the consolidated statement of financial position.

j. Revenue Recognition

Grants and contributions

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. Such transactions are recorded as net assets released from restrictions on the consolidated statement of activities and changes in net assets.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Unconditional pledges receivables which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

The Organization uses the allowance method to account for uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Government grant revenue is recognized as qualifying expenditures are incurred and in accordance with the terms of the grant.

Contributed services

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. For the year ended December 31, 2018, the Organization recognized \$254,625 in contributed services.

Contributed interest

The Organization recognizes contributed interest income and expense on notes payable that bear interest at a below market rate for the difference between the stated rate on the note and the Organization's borrowing rate.

Investment Income

The Organization recognizes investment income in the year earned. A substantial amount of investment income earned is from investments in the Fund's portfolio companies. Cash received from investments in qualified businesses is included in cash restricted for investment in qualified businesses on the consolidated statement of financial position.

k. Income Taxes

ICA and the Fund are organizations exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code with the Internal Revenue Service (IRS). Additionally, ICA and the Fund have been determined by the IRS not to be private foundations within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluates all significant tax positions. As of December 31, 2018, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability or disclosure.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

l. Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, pledges receivable and investments in qualified businesses. 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 on such accounts. Pledges receivable are due from various donors and the Organization evaluates the need for an allowance for doubtful pledges. The Organization manages risks associated with its investments in qualified businesses through a formal evaluation process before an investment is made and regular evaluations while the investments are outstanding. Note 5 describes investments in qualified businesses in more detail.

For the year ended December 31, 2018, four donors comprised approximately 88% of total contribution and grant revenue (three donors comprised 84% in 2017, including two of the same donors included in the 2018 concentration). At December 31, 2018, two donors comprised approximately 76% of pledges receivables (two donors comprised approximately 81% of pledges receivable, including one of the same donors included in the 2018 concentration).

m. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Costs which were not recorded directly to the related functional category were allocated as follows:

- Salaries and related expenses and professional fees – allocated based on an estimate by management of time spent in each function;
- Occupancy and office related expenses – allocated based on the Organization's usage of the facilities by function.

n. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. This ASU was adopted as of January 1, 2018. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year functional expense and liquid asset information as permitted by the ASU.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). Under this ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2019. Early application of the amendments is permitted. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU replace the current loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information for credit loss estimates. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2020. Early application of the amendments is permitted. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

Note 3 - Liquid Assets:

The Organization’s financial assets at December 31, 2018 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,289,537
Pledges receivable	922,500
Other receivables	117,000
<hr/>	
Total	3,329,037
Less amounts not available to be used within one year:	
Net assets with donor restrictions – purpose restrictions	(915,437)
<hr/>	
Financial assets available to meet general expenditures over the next twelve months	\$ 2,413,600
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The Organization’s goal is to maintain cash available for operating expenses at six times the average monthly operating expenses. This target cash balance was approximately \$900,000 throughout the fiscal year 2018. In the event of an unanticipated liquidity need, the Organization also has the ability to draw upon a \$500,000 line of credit (see Note 6).

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Note 4 - Pledges Receivable:

Pledges receivable in the amount of \$922,500 are expected to be collected during 2019. Management believes all amounts are fully collectible and therefore the Organization has not recorded an allowance for doubtful accounts as of December 31, 2018.

Note 5 - Investments in Qualified Businesses, Net:

Investments in qualified businesses consist of the following at December 31:

	2018	2017
Convertible notes	\$ 1,340,000	\$ 1,125,000
Loans	209,046	266,687
	<hr/>	<hr/>
	1,549,046	1,391,687
Less: loan loss reserve	(135,922)	(146,547)
	<hr/>	<hr/>
Total notes and loans, net	1,413,124	1,245,140
Equity investment	928,740	744,240
Restricted cash held under guarantee agreement	11,206	18,096
	<hr/>	<hr/>
Total	\$ 2,353,070	\$ 2,007,476

Since 2016, the Organization has received \$450,000 in grant funds to establish a cash reserve for the purpose of protecting the Organization's risk of future losses on loans and investments. The loan loss expense recorded since receipt of these funds has been applied against these grants. The remaining restricted funds of \$340,437 are available for future losses as presented in the Organization's net assets with donor restrictions (Note 8). These restricted funds are in addition to the loan loss reserve of \$157,505 (Note 2g).

Details of the Organization's investments in qualified businesses is as follows:

Loans and convertible notes

Workforce Development Pipeline Company

In February 2015, the Fund issued a convertible promissory note to a workforce development pipeline company for \$50,000. This loan was made in connection with another not-for-profit entity which provided the Fund with a grant to facilitate this loan.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

As of June 2018, the workforce development company was acquired by an education technology company. However, since the acquisition, the acquiring company has experienced significant management turnover and has raised doubts about its ability to continue as a going concern. The company continues to seek a second acquisition. As of December 31, 2018, the loan balance of \$50,000 and the accrued interest receivable of \$11,532 were written off due to the likelihood of repayment being extremely low given the company's circumstances. The original maturity was August 2016; however, an extension was granted to October 2018. The loan is uncollateralized. Accrued and unpaid interest has been calculated at 6.0%.

Bakery

In May 2015, the Fund issued a convertible promissory note to a bakery for \$415,000, with monthly interest only payments at 10.0% beginning six months after November 2015 through maturity in May 2018. The note was extended through June 2019. In the event the bakery achieves certain mission based goals, the interest rate will be reduced to 8.0% upon conversion of the note. The note is secured by a third position on the Organization's assets. As of December 31, 2018, the loan balance was \$415,000 plus accrued interest receivable of \$20,058.

In May 2015, the Fund issued an additional convertible promissory note to the bakery for \$185,000. The note bears interest at 10.0%; however, in the event the bakery achieves certain mission based goals, the interest rate will be reduced to 8.0% upon conversion of the note. Interest is being accrued at the lower rate under the current expectation that the targets will be met. The loan was due in full, including accrued interest, in May 2018. The bakery did not pay the outstanding balance at maturity and the note was extended through January 2024 with penalty fee of \$40,000 added to the balance. The note is secured by a third position on the Organization's assets. Furthermore, there are various reporting and financial covenants. As of December 31, 2018, the loan balance was \$225,000 plus accrued interest receivable of \$53,658.

In February 2016, the Fund issued a convertible promissory note to the bakery for \$200,000. The note bears interest at 9.75%; however, in the event the bakery achieves certain mission based goals, the interest rate will be reduced to 8.0% upon conversion of the note. Interest is being accrued at the lower rate under the current expectation that the targets will be met. The loan was due in full, including accrued interest, in May 2018. The bakery did not pay the outstanding balance at maturity and the note was extended through June 2019. The loan is subordinate to existing debt held by the bakery at the time of this loan but will be senior to any indebtedness entered into after the date of this loan. As of December 31, 2018, the loan balance was \$200,000 plus accrued interest receivable of \$56,246.

The Organization expects to grant an extension on these notes due from the bakery if unable to repay by June 30, 2019.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Fast-Casual Restaurant Chain

In November 2018, the Fund issued a convertible promissory note to a fast-casual restaurant chain for \$300,000. The note bears interest at 8.0%. The note is due in full, including accrued interest, in November 2019. As of December 31, 2018, the loan balance was \$300,000 plus accrued interest receivable of \$2,000.

Co-Working Space

During December 2013, the Organization loaned a co-working space a total of \$300,000 under two note agreements. The first note agreement provides for a \$100,000 loan which bears interest at 6.0% and is convertible to equity securities upon certain events occurring. Interest accruals are recorded in accrued interest receivables. The loan is due in full, plus accrued interest, in December 2018. The second note agreement provides for a \$200,000 loan which bears interest at 9.0%. In the event the co-working space achieves certain employment goals and other socially responsible covenants, the interest rate will be reduced to 7.0% retroactively. The note provides for monthly principal plus interest payments based on a 10 year term with a balloon payment due December 2018. The \$200,000 loan is collateralized by a second position on all assets. The \$100,000 loan is uncollateralized. The loan has various reporting and financial covenants. As of December 31, 2018, the loan balance under both note agreements was \$211,263 (\$111,263 non-convertible note and \$100,000 convertible note) plus accrued interest receivables of \$35,182. The Organization expects to grant an extension on these notes due from the co-working space if unable to repay by June 30, 2019.

Coffee Roastery

In October 2015, the Fund issued a senior promissory note to a coffee roaster for \$200,000, with monthly interest only payments at 8.0% beginning December 2015 through May 2016, followed by monthly principal with interest payments through maturity of November 2020. The note is a secured obligation with insurance requirements that must be maintained. Furthermore, there are various reporting and financial covenants. As of December 31, 2018, the loan balance was \$97,783.

In October 2015, the Fund issued a convertible promissory note to the coffee roaster for \$100,000. Accrued and unpaid interest is calculated at 10.0% per annum beginning December 2015 through maturity of May 2018, and is due and payable on a quarterly basis beginning in May 2016. The note is a secured obligation with insurance requirements that must be maintained. Furthermore, there are various reporting and financial covenants. As of December 31, 2018, the loan balance was \$100,000 plus accrued interest receivable of \$6,667.

As of January 2019, the coffee roaster raised an equity funding round and repaid all outstanding interest, the full outstanding principal of the senior promissory note, and \$33,709 of the convertible promissory note. The remaining \$66,291 was converted into preferred equity shares of the company.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Equity Investment

Food Products Manufacturer

During May 2013, the Organization issued a \$500,000 convertible promissory note to a food products manufacturer. In December 2013, the Organization amended the loan documents to increase the loan amount to \$650,000. The loan called for interest to be accrued at 8.0% per annum beginning May 2013. Upon conversion of the loan, the interest could be reduced to a minimum of 4.0% determined by certain employment goals and other socially responsible covenants being met. In May 2016, the food products manufacturer successfully raised \$10 million of equity capital (Series A round) which triggered an automatic conversion. Principal and accrued interest of \$744,240 converted to 1,160,774 shares of preferred stock. Preferred shareholders have certain rights if a liquidation event occurs, including payment of up to \$0.79953 per share, plus a pro rata share of any remaining assets of the corporation, distributed among holders of both common and preferred stock.

Additionally, in May 2017, the Fund issued a convertible note for \$75,000. Accrued and unpaid interest is calculated at 8.0% and is due and payable with principal when the note matures. In May 2018, the food products manufacturer successfully raised \$3 million of equity capital (Series B round) which triggered an automatic conversion. Principal and accrued interest of \$80,817 converted to 505,104 shares of preferred stock. The Fund purchased an additional \$100,000 of equity in this round. Series B preferred shareholders have certain rights if a liquidation event occurs, including payment of up to \$0.20 per share, plus a pro rata share of any remaining assets of the corporation, distributed among holders of both common and preferred stock.

The value of the combined preferred stock at the time of the Series B equity round was \$928,740. Fair value measurements were considered level 2 inputs. Management determined no impairment of this equity investment was needed as of December 31, 2018 based on the company's equity financing event, growth in sales, and new partnerships with national retailers.

Restricted cash held under guarantee agreement

The Organization has an agreement where it is the guarantor of 20% of a term loan held by one of the Organization's portfolio clients. The loan has monthly principal and interest payments. As a result, the Organization's exposure relating to the loan is reduced as the portfolio client's debt balance decreases. The guarantee is fully collateralized by a deposit for a like sum held at a bank. As of December 31, 2018, the portfolio client's debt amounted to approximately \$56,000. As of December 31, 2018, the Organization's guarantee was reduced to \$11,206.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Note 6 - Line of Credit:

ICA has a \$500,000 variable rate revolving line of credit with a bank. The line bears interest at the bank's index rate plus 2.25% annually, or 7.75% at December 31, 2018. The line of credit matures in January 2020. The line of credit is secured by all of the Organization's business assets and contains certain restrictive covenants. There was no balance outstanding at December 31, 2018. The Organization was in compliance with its covenants.

Note 7 - Notes Payable:

Notes payable as of December 31, 2018 are as follows:

In December 2014, the Fund received a \$1,000,000 recoverable grant from a private foundation for the purpose of adding to a loan pool from which the Fund may make loans to existing small businesses. The Fund has not made any principal payments. Pursuant to the agreement, the proceeds of the loan and any interest earned can only be used to invest in qualified businesses. The recoverable grant has a seven-year term with annual interest only payments at 2.5%. The recoverable grant is due in full in December 2021. The cash available for investment in qualified businesses from this loan is \$201,902 and is included in cash restricted for investment in qualified businesses on the consolidated statement of financial position.

In January 2014, the Fund received a recoverable grant from a private foundation for \$100,000 for the purpose of adding to a loan pool. The grant was not paid to the Fund until the funds were needed in August 2015. The Fund has not made any principal payments.

In 2015, the Fund deployed the full \$100,000 in the form of a note receivable to a qualified business. The recoverable grant is to be repaid in one lump sum amount of principal and accrued interest in August 2020, with 2.0% interest. The cash available for investment in qualified businesses from this loan is \$24,750 and is included in cash restricted for investment in qualified businesses on the consolidated statement of financial position.

In November 2011, ICA obtained a \$1,250,000 program related investment loan from a private foundation. The note bears interest only at 1.0% per annum commencing January 1, 2013. Interest is payable annually in arrears on the last day of December commencing 2013. The principal balance was \$1,250,000 as of December 31, 2018, of which \$625,000 is due January 2020 and the remaining \$625,000 is due January 2021. The note is an unsecured, full recourse obligation and requires adherence to a series of loan covenants. The private foundation has granted a waiver for the requirement to provide audited financial statements 120 days after year end. The proceeds of the loan and any interest or earnings can only be used to invest in qualified companies to help these enterprises grow and create jobs. The cash available for investment in qualified businesses from this loan is \$195,170 and is included in cash restricted for investment in qualified businesses on the consolidated statement of financial position.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Note 8 - Net Assets with Donor Restrictions:

Net assets with donor restrictions at December 31, 2018 consist of the following:

ICA time restricted for general operations	\$ 922,500
ICA time and purpose restrictions for programs	575,000
Fund's loan loss reserve (Note 5)	340,437
<hr/>	
Total	\$ 1,837,937

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors in the amount of \$2,573,889 during the year ended December 31, 2018.

Note 9 - Related Party Transactions:

The Board members' of ICA and the Fund are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board or from companies with which the Board is affiliated were \$116,500, for the year ended December 31, 2018, including \$100,500 (out of the total \$254,625) of in-kind professional services in connection with ICA's program to provide expert consulting services.

The Fund has a lease agreement (see Note 10) with the co-working space business mentioned in Note 5.

Note 10 - Commitments:

In December 2014, ICA signed a sublease agreement for their principal place of business with a lease term extending through November 30, 2017. In November 2017, the lease was renewed for one year through November 2018, with a one year renewal option. In November 2018, the lease was not renewed although continued on a month-to-month basis through February 2019. Rent was approximately \$3,400 per month. Additionally, ICA was responsible for paying all direct expenses and its share of common area costs. After February 2019, ICA and the Fund shared office space under the lease mentioned in the following paragraph.

In February 2014, the Fund signed a lease agreement for office space. This lease was on a month to month basis with monthly rent of approximately \$2,200 per month. In February 2019, the lease was renewed for six months through July 2019, for additional space with monthly rent of approximately \$5,000 per month. The lease has an option to renew on a mutually agreed upon fee. In the absence of a renewal, the lease may continue on a month-to-month basis.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

The Organization's rental expense for ICA and the Fund for the years ended December 31, 2018 was \$92,630.

As of December 31, 2018, the future minimum lease payments on these leases, extending through 2019, are expected to be approximately \$31,500.

Note 11 - 401(k) Retirement Plan:

Beginning January 1, 2015, the Organization adopted a 401(k) retirement plan. Under this plan, all employees are eligible to participate with a minimum age requirement of 21 years. The Organization may make matching contributions equal to a discretionary percentage to be determined by the Organization. The Organization is also entitled to make a discretionary profit sharing contribution for the year. For the year ended December 31, 2018 the Organization's matching and profit sharing contributions to this plan were \$23,103.

Note 12 - Subsequent Events:

The Organization evaluated subsequent events from December 31, 2018 through May 31, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Inner City Advisors and Fund Good Jobs

Consolidating Statement of Financial Position

December 31, 2018

	Inner City Advisors	Fund Good Jobs	Consolidated Total
Assets:			
Cash and cash equivalents	\$ 1,134,722	\$ 1,154,815	\$ 2,289,537
Pledges receivable	922,500		922,500
Government grant receivable, net			-
Accrued interest receivables		152,880	152,880
Other receivables	117,000		117,000
Cash restricted for investment in qualified businesses	195,170	226,652	421,822
Investments in qualified businesses, net	11,206	2,341,864	2,353,070
Other assets	11,759	2,350	14,109
Intercompany receivables (payables)	2,272,336	(2,272,336)	-
Total Assets	\$ 4,664,693	\$ 1,606,225	\$ 6,270,918
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 86,159	\$ 6,000	\$ 92,159
Notes payable	1,250,000	1,100,000	2,350,000
Total liabilities	1,336,159	1,106,000	2,442,159
Net Assets:			
Without donor restrictions	1,831,034	159,788	1,990,822
With donor restrictions	1,497,500	340,437	1,837,937
Total net assets	3,328,534	500,225	3,828,759
Total Liabilities and Net Assets	\$ 4,664,693	\$ 1,606,225	\$ 6,270,918

Inner City Advisors and Fund Good Jobs

Consolidating Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018

	Inner City Advisors			Fund Good Jobs			Consolidated Total
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	
Revenues and Support:							
Contributions and grants	\$ 254,780	\$ 2,517,500	\$ 2,772,280	\$ 90		\$ 90	\$ 2,772,370
Contributed services	254,625		254,625			-	254,625
Government grant			-		\$ 52,760	52,760	52,760
Other income	74,318		74,318			-	74,318
Interest income from qualified businesses			-	120,487		120,487	120,487
Fees and other investment income from qualified businesses			-	110,944		110,944	110,944
Contributed interest income	84,375		84,375			-	84,375
Net assets released from restrictions	2,566,651	(2,566,651)	-	7,238	(7,238)	-	-
Total revenue and support	3,234,749	(49,151)	3,185,598	238,759	45,522	284,281	3,469,879
Expenses:							
Program services	1,659,166		1,659,166	410,165		410,165	2,069,331
Management and general	190,387		190,387	29,535		29,535	219,922
Fundraising and development	297,425		297,425	11,785		11,785	309,210
Total expenses	2,146,978	-	2,146,978	451,485	-	451,485	2,598,463
Total Change in Net Assets	1,087,771	(49,151)	1,038,620	(212,726)	45,522	(167,204)	871,416
Net Assets, beginning of year	743,263	1,546,651	2,289,914	372,514	294,915	667,429	2,957,343
Net Assets, end of year	\$ 1,831,034	\$ 1,497,500	\$ 3,328,534	\$ 159,788	\$ 340,437	\$ 500,225	\$ 3,828,759