

INNER CITY ADVISORS AND
FUND GOOD JOBS

DECEMBER 31, 2019

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, 2019, 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, 2019, 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, 2018 and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated May 31, 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 consolidated financial statements from which it has been derived.

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 as a whole.

Hood & Strong LLP

San Jose, California
June 17, 2020

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Financial Position

<i>December 31, 2019 (with comparative totals for 2018)</i>	2019	2018*
Assets		
Cash and cash equivalents	\$ 2,141,504	\$ 2,289,537
Pledges receivable	260,000	422,500
Accrued interest receivables, net	207,449	152,880
Other receivables	15,500	117,000
Cash restricted for investment in qualified businesses	626,376	421,822
Investments in qualified businesses, net	2,770,192	2,353,070
Other assets	3,884	14,109
Total Assets	\$ 6,024,905	\$ 5,770,918
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 168,903	\$ 92,159
Deferred revenue	317,466	351,329
Notes payable	2,350,000	2,350,000
Total liabilities	2,836,369	2,793,488
Net Assets:		
Without donor restrictions	1,590,450	1,139,493
With donor restrictions	1,598,086	1,837,937
Total net assets	3,188,536	2,977,430
Total Liabilities and Net Assets	\$ 6,024,905	\$ 5,770,918

See accompanying notes to consolidated financial statements.
*As restated from the adoption of ASU 2018-08. See Note 13.

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019 (with comparative totals for 2018)

	2019			2018*
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Revenues and Support:				
Contributions and grants	\$ 283,861	\$ 1,310,000	\$ 1,593,861	\$ 1,921,041
Contributed services	143,000		143,000	254,625
Government grant			-	52,760
Other income	104,564		104,564	74,318
Interest income from qualified businesses	122,487		122,487	120,487
Fees and other investment income from qualified businesses	570,538		570,538	110,944
Contributed interest income	125,000		125,000	84,375
Net assets released from restrictions	1,549,851	(1,549,851)	-	-
Total revenue and support	2,899,301	(239,851)	2,659,450	2,618,550
Expenses:				
Program services	1,971,279		1,971,279	2,069,331
Management and general	209,886		209,886	219,922
Fundraising and development	267,179		267,179	309,210
Total expenses	2,448,344	-	2,448,344	2,598,463
Total Change in Net Assets	450,957	(239,851)	211,106	20,087
Net Assets, beginning of year*	1,139,493	1,837,937	2,977,430	2,957,343
Net Assets, end of year	\$ 1,590,450	\$ 1,598,086	\$ 3,188,536	\$ 2,977,430

See accompanying notes to consolidated financial statements.
*As restated from the adoption of ASU 2018-08. See Note 13.

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2019 (with comparative totals for 2018)</i>	2019	2018*
Operating Activities:		
Change in net assets	\$ 211,106	\$ 20,087
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Change in loan loss reserve for notes and accrued interest receivable from qualified businesses	2,351	43,853
Depreciation	3,723	5,439
Unrealized gain on equity investments	(530,192)	(9,500)
Assessment of penalties on notes receivable		(40,000)
Changes in operating assets and liabilities:		
Pledges receivable	162,500	987,500
Government grant receivable		197,240
Accrued interest receivables	(59,777)	(26,256)
Other receivables	101,500	(117,000)
Other assets	6,502	505
Accounts payable and accrued expenses	76,744	(61,379)
Deferred revenue	(33,863)	351,329
Net cash (used) provided by operating activities	(59,406)	1,351,818
Investing Activities:		
Assets released under collateral agreement	1,908	6,890
Equity investment in qualified businesses		(100,000)
Issuance of notes receivable to qualified businesses	(40,000)	(300,000)
Repayments on notes receivable from qualified businesses	155,927	57,641
Net cash provided by investing activities	117,835	(335,469)
Net Change in Cash and Cash Equivalents	58,429	1,016,349
Cash and Cash Equivalents, beginning of year	2,711,359	1,695,010
Cash and Cash Equivalents, end of year	\$ 2,769,788	\$ 2,711,359
Supplemental Cash Flow Information:		
Cash and cash equivalents	\$ 2,141,504	\$ 2,289,537
Cash restricted for investment in qualified businesses	626,376	421,822
	\$ 2,767,880	\$ 2,711,359

Interest paid for each of the years ending December 31, 2019 and 2018 was \$39,500.

There were no amounts paid for income taxes.

See accompanying notes to consolidated financial statements.

*As restated from the adoption of ASU 2018-08. See Note 13.

Inner City Advisors and Fund Good Jobs

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019 (with comparative totals for 2018)

	2019				2018
	Program	Management and General	Fundraising	Total	Total
Salaries and related benefits	\$ 986,908	\$ 70,688	\$ 192,226	\$ 1,249,822	\$ 1,192,893
Professional fees, including in-kind of \$143,000 and \$254,625 in 2019 and 2018, respectively	459,234	93,841	5,814	558,889	498,533
Grants	127,243			127,243	300,000
Interest, including in-kind of \$125,000 and \$142,265 in 2019 and 2018, respectively	164,500	17,905		182,405	196,213
Occupancy	67,399	9,610	14,189	91,198	95,860
Marketing	49,342		21,065	70,407	62,263
Write-down of investments in qualified businesses				-	61,532
Professional development	17,656		7,567	25,223	51,623
Office supplies	31,874	3,355	6,710	41,939	50,342
Travel	22,660	117	9,470	32,247	26,010
Other expenses	44,463	14,370	10,138	68,971	63,194
Total expenses	\$ 1,971,279	\$ 209,886	\$ 267,179	\$ 2,448,344	\$ 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 nationally-recognized California not-for-profit organization established in 1996. ICA accelerates great Bay Area businesses through mentoring and investment in order to close the racial and gender wealth gaps. ICA believes that small businesses are uniquely positioned to create positive community change and are an integral part of ICA's vision of creating an economy that works for everyone. Fund Good Jobs, Inc. (the Fund) is a California not-for-profit organization and certified Community Development Financial Institution (CDFI) established in 2013. Together the organizations work to provide small businesses with the capital and support they need to grow, create good jobs, and build wealth for their workers and owners.

ICA and Fund Good Jobs secure philanthropic funding through program-related investments (PRIs), government grants, and donations to make tailored investments in qualified businesses and provide them with ongoing support and advising.

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

In fiscal year 2020, ICA and Fund Good Jobs are expected to merge into a single not-for-profit organization while maintaining the existing CDFI certification. The merged organization will continue to operate with the same mission, staff, and Board of Directors.

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, 2019, 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, 2018, 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 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, 2019, management has assessed the loan loss reserve over the notes receivables from qualified businesses at \$133,065 and the reserve over accrued interest receivables at \$26,791. Loans and accrued interest receivable are presented in the Statement of Financial Position net of these reserves in Investments in Qualified Businesses and Accrued Interest Receivable, respectively.

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, 2019 was \$1,884 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. Contributions received with conditions are recorded as deferred revenue until the conditions have been met.

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 is supported by a network of advisors who contribute their time to businesses in the Organization's network. These advising hours are recorded as contributed revenue 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, 2019, the Organization recognized \$143,000 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, 2019, 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, 2019, three donors comprised approximately 77% of total contribution and grant revenue (four donors comprised 88% in 2018, including one of the same donors included in the 2019 concentration). At December 31, 2019, one donor comprised approximately 77% of pledges receivables (two donors comprised approximately 76% of pledges receivable 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2020. Early application of the amendments is permitted. The Organization is currently evaluating the impact of this pronouncement on its consolidated financial statements.

Inner City Advisors and Fund Good Jobs

Notes to 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, 2019 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,141,504
Pledges receivable	260,000
Other receivables	15,500
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Subtotal	2,417,004
Less: Net assets with donor restrictions – purpose restrictions	638,086
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Financial assets available to meet general expenditures over the next twelve months	\$ 1,778,918
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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 \$1,000,000 throughout the fiscal year 2019. 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).

Note 4 - Pledges Receivable:

Pledges receivable in the amount of \$260,000 are expected to be collected during 2020. Management believes all amounts are fully collectible and therefore the Organization has not recorded an allowance for doubtful accounts as of December 31, 2019.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

Note 5 - Investments in Qualified Businesses, Net:

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

	2019	2018
Convertible notes	\$ 1,280,000	\$ 1,340,000
Loans	88,734	209,046
	<hr/>	<hr/>
	1,368,734	1,549,046
Less: loan loss reserve	(133,065)	(135,922)
	<hr/>	<hr/>
Total notes and loans, net	1,235,669	1,413,124
Equity investment	1,525,225	928,740
Restricted cash held under guarantee agreement	9,298	11,206
	<hr/>	<hr/>
Total	\$ 2,770,192	\$ 2,353,070

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 balance of \$338,086 is available for future losses as presented in the Organization's net assets with donor restrictions (Note 8).

Unrealized gains

In 2019, there was an unrealized gain of \$530,192 in the Fund's portfolio based on two company transactions. This gain is included in Fees and Other Investment Income in the Statement of Activities. One of the transactions was a Series C equity financing round for the Food Products Manufacturer, which resulted in an adjustment of their equity value. This adjustment resulted in a \$246,280 unrealized gain on our existing preferred stock equity position. The second transaction was a conversion of outstanding convertible notes into preferred equity shares in the Coffee Roastery. This conversion coincided with a Series A equity raise for the company and resulted in an unrealized gain of \$283,912.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

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

Loans and convertible notes

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 February 2020. 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, 2019, the loan balance was \$415,000 plus accrued interest receivable of \$16,600.

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 February 2020 with penalty fee of \$80,000 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, 2019, the loan balance was \$265,000 plus accrued interest receivable of \$72,736.

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 February 2020. 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, 2019, the loan balance was \$200,000 plus accrued interest receivable of \$75,746.

The bakery did not pay the outstanding balances at the extended maturity in February 2020 and the Organization granted an additional extension to August 2020.

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 was due in full, including accrued interest, in November 2019. As of December 31, 2019, the loan balance was \$300,000 plus accrued interest receivable of \$26,000. The fast-casual restaurant chain did not pay the outstanding balance at maturity and the Organization granted an extension through June 2020.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

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 was 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, 2019, the loan balance under both note agreements was \$188,734 (\$88,734 non-convertible note and \$100,000 convertible note) plus accrued interest receivables of \$43,158. The co-working space did not pay the outstanding balances upon maturity and the Organization granted an extension through April 2019. The Organization is in process of granting another extension in 2020.

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. In January 2019, the loan was paid off in full.

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. In January 2019, \$33,709 of the loan was paid off and 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 supported the food products manufacturer with 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 C equity round was \$1,175,021. Fair value measurements were considered level 2 inputs. Management determined no impairment of this equity investment was needed as of December 31, 2019 based on the company's equity financing event, growth in sales, and new partnerships with national retailers.

Restricted cash held under guarantee agreement

Meat Producer and Restaurant

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 May 2019, the company filed for bankruptcy and has been going through a liquidation process with the bank and other stakeholders. The Organization has downgraded the risk rating on this guarantee to "Loss" and allocated 100% of the outstanding balance to the loan loss reserve until the liquidation process is resolved. As of December 31, 2019, the Organization's guarantee balance is \$9,298.

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 7.00% at December 31, 2019. The line of credit matures in January 2, 2021. 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, 2019. The Organization was in compliance with its covenants.

Note 7 - Notes Payable:

Notes payable as of December 31, 2019 are as follows:

In December 2014, the Fund received a \$1,000,000 recoverable grant from S.H. Cowell 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 \$362,690 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 Silicon Valley Community 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 \$32,243 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 Y&H Soda 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, 2019, 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 \$231,443 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, 2019 consist of the following:

ICA time restricted for general operations	\$ 260,000
ICA time and purpose restrictions for programs	800,000
Fund's loan loss reserve (Note 5)	338,086
<hr/>	
Total	\$ 1,598,086

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 \$1,549,851 during the year ended December 31, 2019.

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 \$15,000, for the year ended December 31, 2019.

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 its 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 was renewed in October 2019 for six months through March 2020 and continues on a month-to-month basis with monthly rent of approximately \$5,600 per month.

The Organization's rental expense for ICA and the Fund for the year ended December 31, 2019 was \$88,683.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

As of December 31, 2019, the future minimum lease payments on these leases, extending through 2020, are approximately \$16,800.

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 contribution for the year. For the year ended December 31, 2019 the Organization's matching and discretionary contributions to this plan were \$21,342.

Note 12 - Subsequent Events:

The Organization evaluated subsequent events from December 31, 2019 through June 17, 2020, the date these financial statements were available to be issued. Except as noted below and in Note 5, there were no material subsequent events that required recognition or additional disclosure in these financial statements other than the matter discussed below.

The Organization repaid \$625,000 of the outstanding note payable to Y&H Soda Foundation in January 2020 as scheduled (Note 7).

Due to the COVID-19 pandemic the Organization has transitioned to working remotely and continues to deliver on supporting the community through virtual programs and funding. The COVID-19 crisis has caused severe economic hardship for many local businesses, and the Organization is in a unique position to support those that have been affected. Within the first month of the pandemic, a Rapid Response Loan Fund (RRLF) was launched to provide 0%-interest loans to local businesses affected by the virus. The RRLF has raised over \$2,000,000 to date.

The existing portfolio companies of the Fund have also been affected by the pandemic, many of which have been able to secure SBA funding through the Paycheck Protection Program. For those that have not received Federal funding and need additional capital, the Organization will have the ability to deploy emergency loans through the RRLF should the need arise. The Organization has also decided to increase its loan loss reserve by approximately \$115,000 based on assessments made subsequent to year end.

In addition to supporting the community, the Organization has taken the necessary steps to ensure its own fiscal security moving forward. Projected expenditures related to travel, events and workshops were decreased as well overall adjustments to office-related costs. There have been no layoffs or furloughs. Grant funding has increased due to the Organization being in a position to directly assist businesses affected by the pandemic. Furthermore, the Organization secured \$220,000 from the SBA Paycheck Protection Program offered by the Federal Government. Based on this increase in funding and preemptive contingency planning, the Organization remains in a strong fiscal position.

Inner City Advisors and Fund Good Jobs

Notes to Consolidated Financial Statements

The Organization renewed the line of credit (Note 6) in January 2020. In order to provide an additional liquidity cushion considering the potential consequences of the COVID-19 crisis, the balance was drawn down in April 2020.

Note 13 - Adoption of ASU 2018-08:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarified and improved current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. It provided a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction.

The Organization adopted this ASU as of January 1, 2019 on a retrospective basis, which resulted in the modification of the recognition of revenue for one of the Organization's grants. This grant was originally treated as an unconditional gift but under the requirement of the new ASU was deemed to be conditional. The impact of the adoption for the year ending December 31, 2018 is as follows:

	As Previously Reported	Change	As Restated
<i>Consolidated Statement of Financial Position:</i>			
Pledges receivable	\$ 922,500	\$ (500,000)	\$ 422,500
Deferred revenue	\$ -	\$ 351,329	\$ 351,329
Net assets	\$ 3,828,759	\$ (851,329)	\$ 2,977,430
<i>Consolidated Statement of Activities and Changes in Net Assets:</i>			
Contributions and grants	\$ 2,772,370	\$ (851,329)	\$ 1,921,041
Change in net assets	\$ 871,416	\$ (851,329)	\$ 20,087

Inner City Advisors and Fund Good Jobs

Supplemental Information - Consolidating Statement of Financial Position See Independent Auditors' Report

December 31, 2019

	Inner City Advisors	Fund Good Jobs	Eliminations	Consolidated Total
Assets:				
Cash and cash equivalents	\$ 951,643	\$ 1,189,861		\$ 2,141,504
Pledges receivable	260,000			260,000
Accrued interest receivables, net		207,449		207,449
Other receivables	15,500			15,500
Cash restricted for investment in qualified businesses	231,443	394,933		626,376
Investments in qualified businesses, net	9,298	2,760,894		2,770,192
Other assets	1,814	2,070		3,884
Intercompany receivables	2,590,314		\$ (2,590,314)	-
Total Assets	\$ 4,060,012	\$ 4,555,207	\$ (2,590,314)	\$ 6,024,905
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 156,748	\$ 12,155		\$ 168,903
Deferred revenue	317,466			317,466
Notes payable	1,250,000	1,100,000		2,350,000
Intercompany payables		2,590,314	\$ (2,590,314)	-
Total liabilities	1,724,214	3,702,469	(2,590,314)	2,836,369
Net Assets:				
Without donor restrictions	1,078,149	512,301		1,590,450
With donor restrictions	1,257,649	340,437		1,598,086
Total net assets	2,335,798	852,738	-	3,188,536
Total Liabilities and Net Assets	\$ 4,060,012	\$ 4,555,207	\$ (2,590,314)	\$ 6,024,905

Inner City Advisors and Fund Good Jobs

Supplemental Information - Consolidating Statement of Activities and Changes in Net Assets See Independent Auditors' Report

Year Ended December 31, 2019

	Inner City Advisors			Fund Good Jobs			Eliminations	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	\$ 283,861	\$ 1,310,000	\$ 1,593,861			\$ -		\$ 1,593,861
Contributed services	143,000		143,000			-		143,000
Other income	92,322		92,322	\$ 24,742		24,742	\$ (12,500)	104,564
Interest income from qualified businesses			-	122,487		122,487		122,487
Fees and other investment income from qualified businesses			-	570,538		570,538		570,538
Contributed interest income	75,000		75,000	50,000		50,000		125,000
Net assets released from restrictions	1,549,851	(1,549,851)	-			-		-
Total revenue and support	2,144,034	(239,851)	1,904,183	767,767	-	767,767	(12,500)	2,659,450
Expenses:								
Program services	1,645,972		1,645,972	337,807		337,807	\$ (12,500)	1,971,279
Management and general	201,589		201,589	8,297		8,297		209,886
Fundraising and development	198,029		198,029	69,150		69,150		267,179
Total expenses	2,045,590	-	2,045,590	415,254	-	415,254	(12,500)	2,448,344
Total Change in Net Assets	98,444	(239,851)	(141,407)	352,513	-	352,513	-	211,106
Net Assets, beginning of year (as restated)	979,705	1,497,500	2,477,205	159,788	340,437	500,225		2,977,430
Net Assets, end of year	\$ 1,078,149	\$ 1,257,649	\$ 2,335,798	\$ 512,301	\$ 340,437	\$ 852,738	\$ -	\$ 3,188,536