

INNER CITY ADVISORS AND  
FUND GOOD JOBS

DECEMBER 31, 2017

---

INDEPENDENT AUDITORS' REPORT,  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

# **Inner City Advisors and Fund Good Jobs**

## **Independent Auditors' Report, Consolidated Financial Statements and Supplementary Information**

---

<b>Independent Auditors' Report</b>	1 - 2
-------------------------------------	-------

### **Financial Statements**

Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 17

### **Supplementary Information**

Consolidating Statement of Financial Position	18
Consolidating Statement of Activities and Changes in Net Assets	19

## **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, 2017, and the related consolidated statements of activities and changes in net assets and cash flows 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, 2017, 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, 2016 and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated June 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 taken as a whole.

*Hood & Strong LLP*

San Jose, California  
May 14, 2018

# Inner City Advisors and Fund Good Jobs

## Consolidated Statement of Financial Position

<i>December 31, 2017 (with comparative totals for 2016)</i>	2017	2016
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,269,812	\$ 941,283
Pledges receivable	1,410,000	1,493,986
Government grant receivable	197,240	
Accrued interest receivables, net	131,102	84,130
Cash restricted for investment in qualified businesses	425,198	401,895
Investments in qualified businesses, net	2,007,476	2,094,471
Other assets	20,053	25,642
<b>Total Assets</b>	<b>\$ 5,460,881</b>	<b>\$ 5,041,407</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 153,538	\$ 230,369
Notes payable	2,350,000	2,350,000
<b>Total liabilities</b>	<b>2,503,538</b>	<b>2,580,369</b>
<b>Net Assets:</b>		
Unrestricted	1,115,777	899,445
Temporarily restricted	1,841,566	1,561,593
<b>Total net assets</b>	<b>2,957,343</b>	<b>2,461,038</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,460,881</b>	<b>\$ 5,041,407</b>

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, 2017 (with comparative totals for 2016)*

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenues and Support:</b>				
Corporate and foundation grants	\$ 92,838	\$ 2,170,000	\$ 2,262,838	\$ 2,943,194
Contributed services	593,500		593,500	485,000
Government grant	197,240		197,240	-
Other income	19,510		19,510	24,415
Interest income from qualified businesses	125,502		125,502	146,360
Fees and other investment income from qualified businesses	38,251		38,251	6,221
Special event income			-	202,208
Contributed interest income	119,125		119,125	107,375
Net assets released from restrictions	1,890,027	(1,890,027)	-	-
Total revenue and support	3,075,993	279,973	3,355,966	3,914,773
<b>Expenses:</b>				
Program services	2,155,195		2,155,195	2,083,337
Management and general	284,453		284,453	300,866
Fundraising and development	420,013		420,013	402,462
Total expenses	2,859,661	-	2,859,661	2,786,665
<b>Total Change in Net Assets</b>	216,332	279,973	496,305	1,128,108
<b>Net Assets, beginning of year</b>	899,445	1,561,593	2,461,038	1,332,930
<b>Net Assets, end of year</b>	\$ 1,115,777	\$ 1,841,566	\$ 2,957,343	\$ 2,461,038

See accompanying notes to consolidated financial statements.

# Inner City Advisors and Fund Good Jobs

## Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2017 (with comparative totals for 2016)</i>	2017	2016
<b>Operating Activities:</b>		
Change in net assets	\$ 496,305	\$ 1,128,108
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	104,178	907
Depreciation	6,093	14,193
Changes in operating assets and liabilities:		
Pledges receivable	83,986	(1,198,236)
Government grant receivable	(197,240)	125,000
Accrued interest receivables	(53,453)	(72,350)
Other assets	(504)	34,480
Accounts payable and accrued expenses	(76,831)	83,379
<b>Net cash provided by operating activities</b>	<b>362,534</b>	<b>115,481</b>
<b>Investing Activities:</b>		
Assets released under collateral agreement	6,049	5,981
Issuance of notes receivable from qualified businesses	(75,000)	(200,000)
Repayments on notes receivable from qualified businesses	58,249	46,639
<b>Net cash used by investing activities</b>	<b>(10,702)</b>	<b>(147,380)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>351,832</b>	<b>(31,899)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,343,178</b>	<b>1,375,077</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,695,010</b>	<b>\$ 1,343,178</b>
<b>Supplemental Cash Flow Information:</b>		
Cash and cash equivalents	\$ 1,269,812	\$ 941,283
Cash restricted for investment in qualified businesses	425,198	401,895
	<b>\$ 1,695,010</b>	<b>\$ 1,343,178</b>

Interest paid for each of the years ending December 31, 2017 and 2016 was \$37,500.  
There was no amounts paid for income taxes.

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 the capital and support small businesses 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, 2017, 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, 2016, 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 according to three classes of net assets as follows:

*Unrestricted Net Assets* – those net assets and activities which represent the portion of expendable funds that are available to support the Organization’s operations. A portion of these net assets may be designated by the Board of Directors for specific purposes. As of December 31, 2017, the Organization had no board designated net assets.

*Temporarily Restricted Net Assets* – those net assets and activities which are limited by donor-imposed stipulations that can either be fulfilled and removed by actions of the Organization or expire by passage of time.

*Permanently Restricted Net Assets* – those net assets and activities the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the Organization. The Organization has no permanently restricted 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.

# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

---

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, 2017, management has assessed the loan loss reserve over the notes receivables from qualified businesses at \$146,547 and the reserve over accrued interest receivables at \$6,481.

Equity investments are carried at cost and are evaluated annually for impairment.

h. 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, 2017 was \$11,046 and was included in other assets on the consolidated statement of financial position.

i. 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 unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of donor restriction.

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.

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.

# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

---

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, 2017, the Organization recognized \$593,500 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.

## j. 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, 2017, 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

---

### k. 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 4 describes investments in qualified businesses in more detail.

For the year ended December 31, 2017, three donors comprised approximately 79% of total contribution and foundation grant revenue. At December 31, 2017, three donors comprised approximately 71% of pledges receivables. Government grant receivables were concentrated with one agency.

### l. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time as estimated by management. All other costs are charged directly to the related functional category.

### m. Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation. These reclassifications had no impact on net assets or the change in net assets.

### n. New 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, 2019. Early application of the amendments is permitted.

# 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.

In August 2016, the FASB issued ASU 2016-14 – Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. The amendments in this ASU set forth the FASB’s changes to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted.

The Organization is currently evaluating the impact of these pronouncements on its financial statements.

### Note 3 - Pledges Receivable:

Pledges receivable are expected to be collected as follows:

2018	\$ 1,315,000
2019	95,000
<hr/>	
Total	\$ 1,410,000

Management believes all amounts are fully collectible and therefore has not recorded an allowance for doubtful accounts as of December 31, 2017. The discount on pledges that are expected to be collected after one year was considered immaterial and was therefore not recorded.

# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

### Note 4 - Investments in Qualified Businesses, Net:

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

	2017	2016
Convertible notes	\$ 1,125,000	\$ 1,050,000
Loans	266,687	325,116
	<hr/>	<hr/>
	1,391,687	1,375,116
Less: loan loss reserve	(146,547)	(48,849)
	<hr/>	<hr/>
Total notes and loans, net	1,245,140	1,326,267
Equity investment	744,240	744,240
Restricted cash held under guarantee agreement	18,096	23,964
	<hr/>	<hr/>
Total	\$ 2,007,476	\$ 2,094,471

In 2016, the Organization received a \$400,000 grant 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 this grant has been applied against this grant. The remaining restricted funds of \$294,915 are available for future losses as presented in the Organization's temporarily restricted net assets (Note 7). These restricted funds are in addition to the loan loss reserve of \$146,547 (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. Accrued and unpaid interest is calculated at 6.0% and is due and payable with principal when the note matures. The original maturity was August 2016; however, an extension was granted to October 2018. The loan is uncollateralized. As of December 31, 2017, the loan balance was \$50,000 plus accrued interest receivable of \$8,532.

# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

---

### 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. 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 note is secured by a third position on the Organization's assets. As of December 31, 2017, 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 is due in full, plus accrued interest in May 2018. 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, 2017, the loan balance was \$185,000 plus accrued interest receivable of \$38,591.

In February 2016, the Fund issued a convertible promissory note to the bakery for \$200,000. 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 is due in full, plus accrued interest in May 2018. 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, 2017, the loan balance was \$200,000 plus accrued interest receivable of \$36,746.

The Organization expects to grant an extension on these notes due from the bakery.

### 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, 2017, the loan balance under both note agreements was \$229,039 (\$129,039 convertible note and \$100,000 non-convertible note) plus accrued interest receivables of \$26,818.

# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

---

### 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, 2017, the loan balance was \$137,648.

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, 2017, the loan balance was \$100,000 plus accrued interest receivable of \$6,667. The Organization expects to grant an extension on this note.

### *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 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.

Management determined no impairment of this equity investment was needed as of December 31, 2017 because the per share price as of December 31, 2017, is estimated to be higher than the share value at the time of conversion based on the company's increase in sales, particularly with large national retailers.

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. The note matures in June 2019 and is uncollateralized. As of December 31, 2017, the loan balance was \$75,000 plus accrued interest receivable of \$3,629.



# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

---

### *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, 2017, the portfolio client's debt amounted to approximately \$90,000. As of December 31, 2017, the Organization's guarantee was reduced to \$18,096.

### **Note 5 - Line of Credit:**

ICA has a \$500,000 variable rate revolving line of credit with the Beneficial State Bank (the Bank). The line bears interest at the Bank's index rate plus 2.25% annually, or 6.50% at December 31, 2017. The line of credit matures on August 10, 2018. 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, 2017. The Organization was in compliance with its covenants.

### **Note 6 - Notes Payable:**

Notes payable as of December 31, 2017 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 \$245,664 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 \$18,410 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

---

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, 2017 and is due January 31, 2019. 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 \$161,124 and is included in cash restricted for investment in qualified businesses on the consolidated statement of financial position.

### Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2017 consist of the following:

ICA time restricted for general operations	\$ 1,410,000
ICA time and purpose restrictions for programs	136,651
Fund's loan loss reserve (Note 4)	294,915
<hr/>	
Total	\$ 1,841,566

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 \$1,890,027 during the year ended December 31, 2017.

### Note 8 - 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 \$125,185, for the year ended December 31, 2017, including \$118,500 of in-kind professional services in connection with ICA's program to provide expert consulting services.

The Fund has a lease agreement (see Note 9) with the co-working space business mentioned in Note 4.

# Inner City Advisors and Fund Good Jobs

## Notes to Consolidated Financial Statements

---

### **Note 9 - 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. Rent is approximately \$3,400 per month. Additionally, ICA is responsible for paying all direct expenses and its share of common area costs.

In February 2014, the Fund signed a lease agreement for office space. This lease is currently on a month to month basis with monthly rent of approximately \$2,200 per month.

The Organization's rental expense for ICA and the Fund for the years ended December 31, 2017 was \$103,559.

As of December 31, 2017, the future minimum lease payments on these leases, extending through 2018, are expected to be approximately \$61,000.

### **Note 10 - 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, 2017 the Organization's matching and profit sharing contributions to this plan were \$28,827.

### **Note 11 - Subsequent Events:**

The Organization evaluated subsequent events from December 31, 2017 through May 14, 2018, 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, 2017

	Inner City Advisors	Fund Good Jobs	Consolidated Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 693,063	\$ 576,749	\$ 1,269,812
Pledges receivable	1,410,000		1,410,000
Government grant receivable		197,240	197,240
Accrued interest receivables		131,102	131,102
Cash restricted for investments in qualified businesses	161,124	264,074	425,198
Investments in qualified businesses, net	18,096	1,989,380	2,007,476
Other assets	16,630	3,423	20,053
Intercompany receivables (payables)	1,390,539	(1,390,539)	-
<b>Total Assets</b>	<b>\$ 3,689,452</b>	<b>\$ 1,771,429</b>	<b>\$ 5,460,881</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 149,538	\$ 4,000	\$ 153,538
Notes payable	1,250,000	1,100,000	2,350,000
<b>Total liabilities</b>	<b>1,399,538</b>	<b>1,104,000</b>	<b>2,503,538</b>
<b>Net Assets:</b>			
Unrestricted	743,263	372,514	1,115,777
Temporarily restricted	1,546,651	294,915	1,841,566
<b>Total net assets</b>	<b>2,289,914</b>	<b>667,429</b>	<b>2,957,343</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,689,452</b>	<b>\$ 1,771,429</b>	<b>\$ 5,460,881</b>

## Inner City Advisors and Fund Good Jobs

### Consolidating Statement of Activities and Changes in Net Assets

*Year Ended December 31, 2017*

	Inner City Advisors			Fund Good Jobs			Consolidated Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
<b>Revenues and Support:</b>							
Corporate and foundation grants	\$ 82,628	\$ 2,170,000	\$ 2,252,628	\$ 10,210		\$ 10,210	\$ 2,262,838
In-kind services	593,500		593,500			-	593,500
Government grant			-	197,240		197,240	197,240
Other income	19,510		19,510			-	19,510
Interest income from qualified businesses			-	125,502		125,502	125,502
Fees and other investment income from qualified businesses	38,251		38,251			-	38,251
Contributed interest income	71,875		71,875	47,250		47,250	119,125
Net assets released from restrictions	1,785,849	(1,785,849)	-	104,178	\$ (104,178)	-	-
<b>Total revenue and support</b>	<b>2,591,613</b>	<b>384,151</b>	<b>2,975,764</b>	<b>484,380</b>	<b>(104,178)</b>	<b>380,202</b>	<b>3,355,966</b>
<b>Expenses:</b>							
Program services	1,848,955		1,848,955	306,240		306,240	2,155,195
Management and general	275,030		275,030	9,423		9,423	284,453
Fundraising and development	284,222		284,222	135,791		135,791	420,013
<b>Total expenses</b>	<b>2,408,207</b>	<b>-</b>	<b>2,408,207</b>	<b>451,454</b>	<b>-</b>	<b>451,454</b>	<b>2,859,661</b>
<b>Total Change in Net Assets</b>	<b>183,406</b>	<b>384,151</b>	<b>567,557</b>	<b>32,926</b>	<b>(104,178)</b>	<b>(71,252)</b>	<b>496,305</b>
<b>Net Assets, beginning of year</b>	<b>559,857</b>	<b>1,162,500</b>	<b>1,722,357</b>	<b>339,588</b>	<b>399,093</b>	<b>738,681</b>	<b>2,461,038</b>
<b>Net Assets, end of year</b>	<b>\$ 743,263</b>	<b>\$ 1,546,651</b>	<b>\$ 2,289,914</b>	<b>\$ 372,514</b>	<b>\$ 294,915</b>	<b>\$ 667,429</b>	<b>\$ 2,957,343</b>