

INNER CITY ADVISORS AND FUND GOOD JOBS

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)**

INNER CITY ADVISORS AND FUND GOOD JOBS

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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
**Inner City Advisors and
Fund Good Jobs**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Inner City Advisors and Fund Good Jobs (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2015, 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

The financial statements of the Organization as of and for the year ended December 31, 2014, were audited by Lautze & Lautze CPA's & Financial Advisors whose practice was combined with Marcum LLP as of June 1, 2016, and whose report dated August 3, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statements of Financial Position and Consolidating Statements of Activities and Changes in Net Assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

San Jose, CA
November 10, 2016

INNER CITY ADVISORS AND FUND GOOD JOBS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	2015	2014
Assets		
Cash and cash equivalents - unrestricted	\$ 873,992	\$ 779,684
Promises to give (Note 2)	295,750	412,000
Government grant receivable	125,000	112,964
Accrued interest receivables	106,020	59,919
Other receivables	32,981	1,000
Assets held under collateral agreement (Note 3)	29,945	35,704
Cash and cash equivalents - program investment restricted	543,539	1,283,170
Notes receivable from qualified businesses, less loan loss reserve (Note 4)	1,823,813	937,040
Property and equipment, net (Note 5)	31,331	29,111
Prepays and deposits	10,003	18,217
Total Assets	\$ 3,872,374	\$ 3,668,809
Liabilities and Net Assets		
Liabilities		
Bank overdraft	\$ 42,454	\$ --
Accounts payable and accrued expenses	146,990	82,026
Line of credit (Note 6)	--	50,000
Recoverable grants payable (Note 7)	1,100,000	1,000,000
Program - related investment loan payable (Note 8)	1,250,000	1,250,000
Total Liabilities	2,539,444	2,382,026
Net Assets		
Unrestricted	613,793	385,875
Temporarily restricted (Note 9)	719,137	900,908
Total Net Assets	1,332,930	1,286,783
Total Liabilities and Net Assets	\$ 3,872,374	\$ 3,668,809

The accompanying notes are an integral part of these financial statements.

INNER CITY ADVISORS AND FUND GOOD JOBS

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	Unrestricted	Temporarily Restricted	2015	2014
Revenue and Support				
Corporate and foundation grants	\$ 94,675	\$ 1,072,500	\$ 1,167,175	\$ 1,185,332
In-kind services	374,500	--	374,500	368,711
Government grant	589,960	--	589,960	401,736
Other income	2,237	--	2,237	947
Program Related Investment Income				
Interest income	2,553	63,352	65,905	49,835
Fees and other investment income	19,271	13,729	33,000	16,667
Special events, net of costs of \$2,734 and \$99,960, respectively	5,426	--	5,426	3,817
Contributions	24,594	--	24,594	6,039
Gain on beneficial interest of assets held at Community Foundation	--	--	--	49
Net Assets Released From Restrictions	<u>1,331,352</u>	<u>(1,331,352)</u>	<u>--</u>	<u>--</u>
Total Revenue and Support	<u>2,444,568</u>	<u>(181,771)</u>	<u>2,262,797</u>	<u>2,033,133</u>
Expenses				
Program	1,736,709	--	1,736,709	1,428,328
Management and general	238,228	--	238,228	119,243
Fundraising	<u>241,713</u>	<u>--</u>	<u>241,713</u>	<u>189,035</u>
Total Expenses	<u>2,216,650</u>	<u>--</u>	<u>2,216,650</u>	<u>1,736,606</u>
Change in Net Assets	227,918	(181,771)	46,147	296,527
Net Assets - Beginning	<u>385,875</u>	<u>900,908</u>	<u>1,286,783</u>	<u>990,256</u>
Net Assets - Ending	<u>\$ 613,793</u>	<u>\$ 719,137</u>	<u>\$ 1,332,930</u>	<u>\$ 1,286,783</u>

The accompanying notes are an integral part of these financial statements.

INNER CITY ADVISORS AND FUND GOOD JOBS

CONSOLIDATED STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)**

	2015	2014
Cash Flows Provided by Operating Activities		
Change in net assets	\$ 46,147	\$ 296,527
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Discount on long-term promises	--	(10,484)
Change in loan loss reserve for notes receivables from qualified businesses	47,942	--
Depreciation	14,621	5,072
Changes in operating assets and liabilities:		
Promises to give	116,250	4,250
Government grant receivable	(12,036)	(62,459)
Accrued interest receivables	(46,101)	(32,000)
Other receivables	(31,981)	--
Prepays and deposits	8,214	(10,103)
Accounts payable and accrued expenses	81,989	33,677
Deferred revenue	--	(61,325)
Net Cash Provided by Operating Activities	225,045	163,155
Cash Flows Provided by (Used in) Investing Activities		
Assets released under collateral agreement	5,759	5,796
Issuance of notes receivable from qualified businesses	(950,000)	--
Repayments on notes receivable from qualified businesses	15,285	12,960
Purchase of office equipment	(33,866)	(7,340)
Net Cash Provided by (Used in) Investing Activities	(962,822)	11,416
Cash Flows Provided by Financing Activities		
Bank overdraft	42,454	--
Borrowings on line of credit	--	50,000
Repayments on line of credit	(50,000)	--
Borrowings on recoverable grant	100,000	1,000,000
Net Cash Provided by Financing Activities	92,454	1,050,000
Net Change in Cash And Cash Equivalents	(645,323)	1,224,571
Cash and cash equivalents - Beginning	2,062,854	838,283
Cash and cash equivalents - Ending	\$ 1,417,531	\$ 2,062,854
Cash and cash equivalents - unrestricted	\$ 873,992	\$ 779,684
Cash and cash equivalents - program investment restricted	543,539	1,283,170
	\$ 1,417,531	\$ 2,062,854

The accompanying notes are an integral part of these financial statements.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND 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 create good jobs for people with high barriers to employment by providing small business owners with expert consulting, education and investment to grow their businesses.

Fund Good Jobs, Inc. (the “Fund”) was incorporated on March 4, 2013 and commenced business operations on October 1, 2013. The Fund’s mission is to assist small businesses in creating jobs for individuals who otherwise would not have access to employment positions of such quality. In order to fulfill this mission, the Fund began a process to secure philanthropic funding in the form of program-related investments (PRIs) and donations to make tailored investments in the form of blended capital in high-need, high-growth qualified businesses that create good jobs.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements as of December 31, 2015 and 2014, include the financial statements of Inner City Advisors and Fund Good Jobs, Inc. (collectively referred to as the Organization). All intercompany accounts have been eliminated in consolidation. During the year ended December 31, 2013, the Fund received exempt status; however for accounting purposes it was treated as a division of ICA and as a result operational results of the Fund were consolidated with ICA. For the years ended December 31, 2015 and 2014, the records of the Fund were separated to show separate operating results; however ICA continued to maintain both Board and financial control and therefore the operating results of the Fund have been consolidated with ICA. The separate financial results for years ended December 31, 2015 and 2014 are shown in the consolidating supplementary financial information.

BASIS OF ACCOUNTING

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

Classification of Net Assets

Accounting principles generally accepted in the United States of America require that the Organization report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets are classified and reported as described below:

Unrestricted

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, 2015 and 2014, the Organization had no board designated net assets.

Temporarily Restricted

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted

Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. As of December 31, 2015 and 2014, the Organization had no permanently restricted net assets.

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.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

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

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give 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. It is the Organization's accounting policy to record the receivable and related contribution on the books of the recipient. Therefore, there may be grant revenue or contributions received by ICA to support the fund.

The Organization uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes all amounts are fully collectible and therefore has not recorded an allowance for doubtful accounts as of December 31, 2015 and 2014.

NOTES RECEIVABLE FROM QUALIFIED BUSINESSES

The Organization has notes receivable in qualified businesses with varying terms and are stated at the principal amount. Terms of each agreement are described in Note 4. Management evaluates the collectability of notes receivable annually.

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, 2015, management has assessed the loan loss reserve over their notes receivables from qualified businesses at \$47,942. As of December 31, 2014, the Organization had not experienced any losses with respect to loans from qualified businesses and believed that all loans would be recovered; therefore, a loan loss reserve had not been recorded.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, if any, are amortized over the shorter of the asset life or the lease term. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the consolidated statements of activities and changes in net assets.

ACCRUED VACATION

Employees may accumulate between three to four weeks a year depending on their number of years of service, and are entitled to payment of any unused time up to a maximum of 200% of their annual accrual upon separation from employment.

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 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. This occurs by increasing one class of net assets and decreasing another in the consolidated statements of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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 years ended December 31, 2015 and 2014, there were no donated materials and equipment that would materially impact the financial statements as presented.

For the years ended December 31, 2015 and 2014, the Organization recognized \$374,500 and \$368,711, respectively, in contributed services. The Organization also has a substantial number of unpaid volunteers, performing various functions who contributed time to the Organization during the years ended December 31, 2015 and 2014. The value of this contributed time is not reflected in the consolidated financial statements, as it does not meet the criteria for recognition.

Program Related Investment Income

The Organization recognizes investment income in the year earned. A substantial amount of investment income earned is from program related investments in the Fund's portfolio companies. Pursuant to donor restriction, a portion of this income is restricted for the purposes of investing in qualified companies to help them grow and create jobs. For the years ended December 31, 2015 and 2014, interest income and fees from these program related investments was \$98,905 and \$66,502, respectively, of which, \$77,081 and \$66,502 were restricted, respectively.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

ICA is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Codes with the Internal Revenue Service (IRS). On July 23, 2014 the Fund received exempt status with the IRS. Exempt status will be retroactive to the date of incorporation, which was March 4, 2013.

The Organization evaluates all significant tax positions. As of December 31, 2015, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's tax returns are subject to examination by the appropriate taxing jurisdictions.

CONCENTRATIONS OF RISK

The Organization recognizes there are inherent risks associated with publicly and non-publicly traded securities. Risk is managed through rigorous evaluation before an investment is made. Note 4 describes investments held by the Organization in greater detail.

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.

For the year ended December 31, 2015, three donors comprised approximately 50% of total contribution and grant revenue (four donors comprised 61% in 2014). At December 31, 2015, three donors comprised approximately 96% of promises to give and government grant receivables (four donors comprised 79% in 2014).

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. Certain marketing material costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the related functional category.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain amounts in the summarized comparative totals for 2014 have been reclassified to conform to the 2015 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

COMPARATIVE FINANCIAL INFORMATION

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE 2 - PROMISES TO GIVE

At December 31, 2015, the Organization's unconditional promises to give of \$295,750 (\$412,000 at December 31, 2014) were all due within one year of the consolidated statements of financial position dates.

NOTE 3 - ASSETS HELD UNDER COLLATERAL 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 One Pacific Coast Bank. As of December 31, 2015 and 2014, the portfolio client's debt amounted to approximately \$150,000 and \$179,000, respectively. As of December 31, 2015 and 2014, the Organization's guarantee was reduced to \$29,945 and \$35,704, respectively. The portion released is redeployed as described in Note 4.

As of November 10, 2016, the date the consolidated financial statements were available for issuance, the bank has not informed the Organization of any intent to call the guarantee.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - NOTES RECEIVABLE FROM QUALIFIED BUSINESSES, NET

As of December 31, 2015 and 2014, the Organization had \$1,823,813 and \$937,040, respectively, in lending arrangements with qualified businesses. These are in addition to the collateral deposit arrangement described in Note 3. Details of the arrangements are as follows:

FOOD PRODUCTS MANUFACTURER

During May 2013, the Organization loaned a food products manufacturer \$500,000. In December 2013, the Organization amended the loan documents to increase the loan amount to \$650,000. The loan calls for interest to be accrued at 8.0% per annum at the onset of the loan. Such interest accruals are recorded in interest receivables. In the event the food products manufacturer achieves certain employment goals and other socially responsible covenants, the interest rate will be reduced to 4.0%. The loan is due in full, plus accrued interest, in May 2016. Interest is being accrued at the lower rate under the current expectation that the targets will be met. The loan is subordinate to existing debt held by the food products manufacturer at the time of this loan but will be senior to any indebtedness entered into after the date of the this loan. The loan has various reporting covenants. As of December 31, 2015 and 2014, the loan balance was \$650,000 plus accrued interest receivable of \$63,667 and \$53,919, respectively.

Subsequent to year-end, in May 2016, the food products manufacturer successfully raised \$10 million of equity capital. The Fund's outstanding convertible notes included terms that triggered an automatic conversion in the event of a capital raise over \$1 million, therefore the Fund's convertible notes converted into equity.

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%. Interest accruals are recorded in 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, 2015 the loan balance under both note agreements was \$271,755 plus accrued interest receivables of \$11,020. As of December 31, 2014, the loan balance under both note agreements was \$287,040 plus accrued interest receivable of \$6,000.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - NOTES RECEIVABLE FROM QUALIFIED BUSINESSES, NET (CONTINUED)

WORKFORCE DEVELOPMENT PIPELINE COMPANY

In February 2015, the Fund issued a promissory note to a workforce development pipeline company for \$150,000, payable in three installments of \$50,000 conditioned upon the submission and approval of scheduled progress reports to a third party. Subsequent to the first installment, it was verbally agreed to not issue the remaining \$100,000. Accrued and unpaid interest is calculated at 6.0% and is due and payable with principal when the note matures in August 2016. The loan is uncollateralized. As of December 31, 2015, the loan balance was \$50,000 plus accrued interest receivable of \$2,500.

Subsequent to year end, August 2016, the note receivable was extended to October 2017.

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 of May 2018. In the event the bakery achieves certain mission based goals, the interest rate will be reduced to 8.0%. Interest is being accrued at the lower rate under the current expectation that the targets will be met. The note is a secured obligation, secured by a third position on all remaining assets. Furthermore, there are various reporting and financial covenants. As of December 31, 2015, the loan balance was \$415,000 plus accrued interest receivable of \$19,367.

In May 2015, the Fund issued another convertible promissory note to the bakery for \$185,000. Accrued and unpaid interest is calculated at 10.0% beginning at the onset of the loan. In the event the bakery achieves certain mission based goals, the interest rate will be reduced to 8.0%. 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 a secured obligation, secured by a third position on all remaining assets. Furthermore, there are various reporting and financial covenants. As of December 31, 2015, the loan balance was \$185,000 plus accrued interest receivable of \$8,633.

Subsequent to year-end, in February 2016, the Fund issued another convertible promissory note to the bakery for \$200,000. Accrued and unpaid interest is calculated at 10.0% beginning at the onset of the loan. In the event the bakery achieves certain mission based goals, the interest rate will be reduced to 8.0%. 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 the this loan.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - NOTES RECEIVABLE FROM QUALIFIED BUSINESSES, NET (CONTINUED)

COFFEE ROASTERY

In October 2015, the Fund issued a senior promissory note to a coffee roastery 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, 2015, the loan balance was \$200,000.

In October 2015, the Fund issued a convertible promissory note to the coffee roastery for \$100,000. Accrued and unpaid interest is calculated at 8.0% per annum beginning December 2015 through maturity of November 2017, 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, 2015, the loan balance was \$100,000 plus accrued interest receivable of \$833.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Leasehold improvements	\$ 17,025	\$ 17,025
Furniture and fixtures	30,124	14,687
Machinery and equipment	11,729	10,325
	58,878	42,037
Less accumulated depreciation	(27,547)	(12,926)
Total	\$ 31,331	\$ 29,111

Depreciation expense was \$14,621 and \$5,072 for the years ended December 31, 2015 and 2014, respectively.

INNER CITY ADVISORS AND FUND GOOD JOBS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 - LINE OF CREDIT

ICA has a \$200,000 variable rate revolving line of credit with Beneficial State Bank (formerly One Pacific Coast Bank). The line bears interest at the Bank's Index rate plus 2.5% annually or 6.00% and 5.75% at December 31, 2015 and 2014, respectively. The Organization renewed the line and the new term extends the loan due date to December 1, 2016.

The line of credit is secured by all of the Organization's business assets and also contains a restrictive covenant that requires the Organization to hold insurance on the assets. The line of credit also has various reporting and financial covenants. There was no balance outstanding at December 31, 2015. At December 31, 2014, there was a balance of \$50,000.

In May 2015, the Fund established a \$75,000 Business Line variable rate unsecured revolving line of credit with Wells Fargo Bank. The line bears interest at the Bank's Prime rate plus 1.00% for the first six months. After the six month period, the rate converts to the Bank's Prime rate plus 6.75%. There was no outstanding balance at December 31, 2015 and there have been no drawings to date. In August 2016, the line of credit was closed.

NOTE 7 - RECOVERABLE GRANTS PAYABLE

As of December 31, 2015 and 2014, the Organization has \$1,100,000 and \$1,000,000, in recoverable grants payable, respectively. From an accounting perspective, a recoverable grant is treated as a forgivable loan.

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 to help them create and retain good jobs. Pursuant to the agreement, the proceeds of the loan and any interest earned can only be used to invest in qualified companies to help these enterprises grow and create jobs (see Note 4). As of December 31, 2015, approximately \$457,000 has been deployed in the form of notes receivables to qualified businesses. As of December 31, 2015 no interest income has been received on notes receivables deployed. This has resulted in the remainder portion of approximately \$543,000 to be deployed. No amounts were deployed as of December 31, 2014.

The \$1,000,000 recoverable grant as noted above, is payable over seven years with annual interest only payments at 2.5%. The recoverable grant is due in full in December 2021. As of December 31, 2015, the recoverable grant of \$1,000,000 was recorded as a liability with \$457,000 recorded as notes receivables from qualified businesses and the remainder portion of \$543,000 recorded as program investment restricted cash and cash equivalents. As of December 31, 2014, the recoverable grant of \$1,000,000 was recorded as program investment restricted cash and cash equivalents with a corresponding liability.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 - RECOVERABLE GRANTS PAYABLE (CONTINUED)

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 from which the Fund may make loans to existing small businesses to help them create and retain good jobs. The grant was not paid to ICA until the funds were needed in August 2015. In 2015, the fund deployed the full \$100,000 in the form of a note receivable to a qualified business (see Note 4).

The \$100,000 recoverable grant as noted above, is to be repaid in one lump sum amount of principal and accrued interest at the end of the grant period, August 2020, with 2.0% interest. As of December 31, 2015, the recoverable grant was recorded as a note receivable from a qualified business with a corresponding liability. No amounts had been recorded as of December 31, 2014, as the grant would only be issued from the private foundation as needed.

NOTE 8 - PROGRAM RELATED INVESTMENT LOAN PAYABLE

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, 2015 and 2014 and is due January 31, 2019. The note is an unsecured, full recourse obligation and requires adherence to a series of loan covenants. 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 (see Note 4).

During the year ended December 31, 2012, ICA transferred \$1,250,000 proceeds received to the East Bay Community Foundation (EBCF) for the purpose of more strategic investment management. As of December 31, 2013, substantially all the funds that had been deposited with EBCF had been withdrawn in anticipation of deployment to qualifying businesses. Of the amounts withdrawn and accumulated earnings, approximately \$1,295,000 have been deployed in the form of notes receivables and assets held under collateral agreement as of December 31, 2015. The loan payable requires the tracking and restriction of cumulative net income and expenses as restricted funds. Cumulative expenses and losses as of December 31, 2015 were approximately \$12,000. Cumulative interest and fees received as of December 31, 2015 was approximately \$57,500. All funds have been deployed as of December 31, 2015.

As of December 31, 2014, of the amounts withdrawn approximately \$973,000 had been deployed in the form of notes receivables and assets held under collateral agreement. Cumulative expenses and losses as of December 31, 2014 were approximately \$11,600. Cumulative interest received as of December 31, 2014 was approximately \$17,500. This resulted in a remainder portion of approximately \$283,000 to be deployed as of December 31, 2014.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 may be expended for:

	2015	2014
Programs		
ICA general operations	\$ 109,500	\$ 337,668
ICA programs	465,417	363,333
FGJ General Operations	25,000	--
Fund investments	<u>119,220</u>	<u>199,907</u>
Total	<u>\$ 719,137</u>	<u>\$ 900,908</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31 as follows:

	2015	2014
Programs		
ICA general operations	\$ 517,576	\$ 363,433
ICA programs	530,917	329,292
Fund general operations	175,000	71,288
Fund investments	107,859	45,000
Other	<u>--</u>	<u>6,100</u>
Total	<u>\$ 1,331,352</u>	<u>\$ 815,113</u>

NOTE 11 - FUNDING ARRANGEMENT FOR THE FUND

ICA and the Fund have agreed to a funding arrangement whereby ICA will reimburse the Fund for their operating costs. In 2015 and 2014, ICA granted \$75,000 per quarter for a total of \$300,000 per year. Operating costs will include expenses such as the salary and benefits of the Fund's employees and other direct expenses.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 12 - RELATED PARTY TRANSACTIONS

ICA's and the Fund's volunteer members of the Board 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 \$202,495 and \$251,815 for the years ended December 31, 2015 and 2014.

NOTE 13 - COMMITMENTS

RENTAL AGREEMENTS

Inner City Advisors

In December 2014, ICA signed a sublease agreement to move their principal place of business. The lease term is for a 36 month period expiring November 30, 2017 with one 36 month extension. Rent is \$3,252 per month with 3% annual rent escalations. ICA is responsible for paying all direct expenses and its share of common area costs.

Minimum lease payments for the year ending December 31 are as follows:

2016	\$ 40,290
2017	<u>39,084</u>
Total	<u>\$ 79,374</u>

Fund Good Jobs

In February 2014, the Fund signed a new lease agreement for their principal place of business. The lease term was for one year with rent of \$2,000 per month. In February 2015, the agreement was renewed for one year through February 2016 with rent of \$2,060 per month. Absent a renewal, the agreement will be granted on a month to month basis with a 5% rental increase. Subsequent to year-end, the agreement was renewed for one year through February 2017 with rent of \$2,122 per month.

The Organization's rental expense for ICA and the Fund for the years ended December 31, 2015 and 2014 was \$77,174 and \$90,100, respectively.

SOFTWARE LICENSE AGREEMENT

During the year ended December 31, 2014, ICA entered into a three year software license agreement expiring March 2017 with payments of \$9,600 per year. Subsequent to year-end in August 2016, the agreement was terminated.

INNER CITY ADVISORS AND FUND GOOD JOBS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 14 – 401(K) PROFIT SHARING PLAN

Beginning January 1, 2015, the Organization opened a 401(K) Profit Sharing Plan. Under this plan, all employees are eligible to participate with a minimum age requirement of 21 years. Under the terms of the plan, employees are entitled to contribute up to the federally allowed maximum. 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, 2015, the Organization’s matching and profit sharing contributions to this plan were \$15,681.

NOTE 15 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash operating and investing activities for the years ended December 31 were as follows:

	<u>2015</u>	<u>2014</u>
Property and equipment purchases recorded through accounts payable	<u>\$ --</u>	<u>\$ 17,025</u>

NOTE 16 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 10, 2016 the date on which the consolidated financial statements were available to be issued.

Aside from the subsequent events mentioned in the notes to the consolidated financial statements, no other events requiring recognition or disclosures have been identified.

INNER CITY ADVISORS AND FUND GOOD JOBS
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015

	Inner City Advisors	Fund Good Jobs	Elimination Increase/ (Decrease)	Consolidated Total
Assets				
Cash and cash equivalents - unrestricted	\$ 873,992	\$ --	\$ --	\$ 873,992
Promises to give (Note 2)	295,750	--	--	295,750
Government grant receivable	--	125,000	--	125,000
Accrued interest receivables	--	106,020	--	106,020
Other receivables	8,981	24,000	--	32,981
Assets held under collateral agreement (Note 3)	29,945	--	--	29,945
Cash and cash equivalents - program investment restricted	670	542,869	--	543,539
Notes receivable from qualified businesses, less loan loss reserve (Note 4)	--	1,823,813	--	1,823,813
Property and equipment, net (Note 5)	28,329	3,002	--	31,331
Prepays and deposits	8,003	2,000	--	10,003
Intercompany receivables (payables)	1,091,726	(1,091,726)	--	--
	<u>\$ 2,337,396</u>	<u>\$ 1,534,978</u>	<u>\$ --</u>	<u>\$ 3,872,374</u>
Liabilities and Net Assets				
Liabilities				
Bank overdraft	\$ --	\$ 42,454	\$ --	\$ 42,454
Accounts payable and accrued expenses	105,082	41,908	--	146,990
Recoverable grant payable (Note 7)	--	1,100,000	--	1,100,000
Program - related investment loan payable (Note 8)	1,250,000	--	--	1,250,000
Total Liabilities	<u>1,355,082</u>	<u>1,184,362</u>	<u>--</u>	<u>2,539,444</u>
Net Assets				
Unrestricted	383,985	229,808	--	613,793
Temporarily restricted (Note 9)	598,329	120,808	--	719,137
Total Net Assets	<u>982,314</u>	<u>350,616</u>	<u>--</u>	<u>1,332,930</u>
Total Liabilities and Net Assets	<u>\$ 2,337,396</u>	<u>\$ 1,534,978</u>	<u>\$ --</u>	<u>\$ 3,872,374</u>

See independent auditor's report.

INNER CITY ADVISORS AND FUND GOOD JOBS

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2014

	Inner City Advisors	Fund Good Jobs	Elimination Increase/ (Decrease)	Consolidated Total
Assets				
Cash and cash equivalents - unrestricted	\$ 745,210	\$ 34,474	\$ --	\$ 779,684
Promises to give (Note 2)	312,000	100,000	--	412,000
Government grant receivable	112,964	--	--	112,964
Accrued interest receivables	--	59,919	--	59,919
Other receivables	1,000	--	--	1,000
Assets held under collateral agreement (Note 3)	35,704	--	--	35,704
Cash and cash equivalents - program investment restricted	283,170	1,000,000	--	1,283,170
Notes receivable from qualified businesses, less loan loss reserve (Note 4)	--	937,040	--	937,040
Property and equipment, net (Note 5)	26,579	2,532	--	29,111
Prepays and deposits	14,827	3,390	--	18,217
Intercompany receivables (payables)	937,040	(937,040)	--	--
	<u>\$ 2,468,494</u>	<u>\$ 1,200,315</u>	<u>\$ --</u>	<u>\$ 3,668,809</u>
Liabilities and Net Assets				
Liabilities				
Bank overdraft	\$ --	\$ --	\$ --	\$ --
Accounts payable and accrued expenses	82,026	-	--	82,026
Line of credit (Note 6)	50,000	--	--	50,000
Recoverable grant payable (Note 7)	--	1,000,000	--	1,000,000
Program - related investment loan payable (Note 8)	1,250,000	--	--	1,250,000
Total Liabilities	<u>1,382,026</u>	<u>1,000,000</u>	<u>--</u>	<u>2,382,026</u>
Net Assets				
Unrestricted	362,146	23,729	--	385,875
Temporarily restricted	724,322	176,586	--	900,908
Total Net Assets	<u>1,086,468</u>	<u>200,315</u>	<u>--</u>	<u>1,286,783</u>
Total Liabilities and Net Assets	<u>\$ 2,468,494</u>	<u>\$ 1,200,315</u>	<u>\$ --</u>	<u>\$ 3,668,809</u>

See independent auditor's report.

INNER CITY ADVISORS AND FUND GOOD JOBS

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Inner City Advisors			Fund Good Jobs			Elimination Increase/ (Decrease)	Consolidated Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenue and Support								
Corporate and foundation grants	\$ 65,890	\$ 922,500	\$ 988,390	\$ 353,785	\$ 150,000	\$ 503,785	\$ (325,000)	\$ 1,167,175
In-kind services	374,500	--	374,500	--	--	--	--	374,500
Government grant	464,960	--	464,960	125,000	--	125,000	--	589,960
Other income	2,237	--	2,237	--	--	--	--	2,237
Program related investment income								
Interest income	--	--	--	2,553	63,352	65,905	--	65,905
Fees and other investment income	--	--	--	19,271	13,729	33,000	--	33,000
Special events, net of costs of \$2,734	5,426	--	5,426	--	--	--	--	5,426
Contributions	24,544	--	24,544	50	--	50	--	24,594
Net assets released from restrictions	1,048,493	(1,048,493)	--	282,859	(282,859)	--	--	--
Total Revenue and Support	<u>1,986,050</u>	<u>(125,993)</u>	<u>1,860,057</u>	<u>783,518</u>	<u>(55,778)</u>	<u>727,740</u>	<u>(325,000)</u>	<u>2,262,797</u>
Expenses								
Program	1,609,419	--	1,609,419	452,290	--	452,290	(325,000)	1,736,709
Management and general	182,023	--	182,023	56,205	--	56,205	--	238,228
Fundraising	172,769	--	172,769	68,944	--	68,944	--	241,713
Total Expenses	<u>1,964,211</u>	<u>-</u>	<u>1,964,211</u>	<u>577,439</u>	<u>--</u>	<u>577,439</u>	<u>(325,000)</u>	<u>2,216,650</u>
Change in Net Assets	21,839	(125,993)	(104,154)	206,079	(55,778)	150,301	--	46,147
Net Assets - Beginning	<u>362,146</u>	<u>724,322</u>	<u>1,086,468</u>	<u>23,729</u>	<u>176,586</u>	<u>200,315</u>	<u>--</u>	<u>1,286,783</u>
Net Assets - Ending	<u>\$ 383,985</u>	<u>\$ 598,329</u>	<u>\$ 982,314</u>	<u>\$ 229,808</u>	<u>\$ 120,808</u>	<u>\$ 350,616</u>	<u>\$ --</u>	<u>\$ 1,332,930</u>

See independent auditor's report.

INNER CITY ADVISORS AND FUND GOOD JOBS

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

	Inner City Advisors			Fund Good Jobs			Elimination Increase/ (Decrease)	Consolidated Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenue and Support								
Corporate and foundation grants	\$ 422,363	\$ 662,969	\$ 1,085,332	\$ 313,090	\$ 100,000	\$ 413,090	\$ (313,090)	\$ 1,185,332
In-kind services	368,711	--	368,711	--	--	--	--	368,711
Government grant	401,736	--	401,736	--	--	--	--	401,736
Other income	731	--	731	216	--	216	--	947
Program related investment income								
Interest income	--	--	--	--	49,835	49,835	--	49,835
Fees and other investment income	--	--	--	--	16,667	16,667	--	16,667
Special events, net of costs of \$99,960	3,817	--	3,817	--	--	--	--	3,817
Contributions	6,039	--	6,039	--	--	--	--	6,039
Gain on beneficial interest of assets held at								
Community Foundation	--	49	49	--	--	--	--	49
Net assets released from restrictions	815,113	(815,113)	--	--	--	--	--	--
Total Revenue and Support	<u>2,018,510</u>	<u>(152,095)</u>	<u>1,866,415</u>	<u>313,306</u>	<u>166,502</u>	<u>479,808</u>	<u>(313,090)</u>	<u>2,033,133</u>
Expenses								
Program	1,521,393	--	1,521,393	220,025	--	220,025	(313,090)	1,428,328
Management and general	86,849	--	86,849	32,394	--	32,394	--	119,243
Fundraising	144,826	--	144,826	44,209	--	44,209	--	189,035
Total Expenses	<u>1,753,068</u>	<u>-</u>	<u>1,753,068</u>	<u>296,628</u>	<u>--</u>	<u>296,628</u>	<u>(313,090)</u>	<u>1,736,606</u>
Change in Net Assets	265,442	(152,095)	113,347	16,678	166,502	183,180	--	296,527
Net Assets - Beginning	<u>96,704</u>	<u>876,417</u>	<u>973,121</u>	<u>7,051</u>	<u>10,084</u>	<u>17,135</u>	<u>--</u>	<u>990,256</u>
Net Assets - Ending	<u>\$ 362,146</u>	<u>\$ 724,322</u>	<u>\$ 1,086,468</u>	<u>\$ 23,729</u>	<u>\$ 176,586</u>	<u>\$ 200,315</u>	<u>\$ --</u>	<u>\$ 1,286,783</u>

See independent auditor's report.