ICA.FUND

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT,

AND

FINANCIAL STATEMENTS

ICA.Fund

Independent Auditors' Report and Financial Statements

Independent Auditors' Report

THE BOARD OF DIRECTORS
ICA.FUND
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of **ICA.FUND (formerly INNER CITY ADVISORS and FUND GOOD JOBS)**, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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 financial position of ICA.Fund as of December 31, 2020, and the 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, 2019 and we expressed an unmodified audit opinion on those financial statements in our report dated June 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
May 27, 2021

ICA.Fund

Statement of Financial Position

December 31, 2020 (with comparative totals for 2019)	2020	2019
Assets		
Cash and cash equivalents	$ 2,888,473	$ 2,141,504
Pledges receivable	600,000	260,000
Accrued interest receivables, net	53,369	207,449
Other receivables	8,500	15,500
Cash restricted for investment in qualified businesses	747,790	626,376
Investments in qualified businesses, net	4,279,122	2,770,192
Other assets	11,253	3,884
Total Assets	$ 8,588,508	$ 6,024,905
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 188,702	$ 168,903
Deferred revenue		317,466
Notes payable	1,625,000	2,350,000
Paycheck Protection Program loan	222,095	
Total liabilities	2,035,797	2,836,369
Net Assets:		
Without donor restrictions	5,052,788	1,590,450
With donor restrictions	1,499,923	1,598,086
Total net assets	6,552,711	3,188,536
Total Liabilities and Net Assets	$ 8,588,508	$ 6,024,905

See accompanying notes to financial statements.

ICA.Fund

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020 (with comparative totals for 2019)

	2020			2019
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Revenues and Support:				
Contributions and grants	$ 3,933,321	$ 1,650,000	$ 5,583,321	$ 1,593,861
Contributed services	115,375		115,375	143,000
Other income	36,259		36,259	104,564
Interest income from qualified businesses	132,698		132,698	122,487
Fees and other investment income from qualified businesses	828,789		828,789	570,538
Contributed interest income	61,042		61,042	125,000
Net assets released from restrictions	1,748,163	(1,748,163)	-	-
Total revenue and support	6,855,647	(98,163)	6,757,484	2,659,450
Expenses:				
Program services	2,828,268		2,828,268	1,971,279
Management and general	225,908		225,908	209,886
Fundraising and development	339,133		339,133	267,179
Total expenses	3,393,309	-	3,393,309	2,448,344
Total Change in Net Assets	3,462,338	(98,163)	3,364,175	211,106
Net Assets, beginning of year	1,590,450	1,598,086	3,188,536	2,977,430
Net Assets, end of year	$ 5,052,788	$ 1,499,923	$ 6,552,711	$ 3,188,536

See accompanying notes to financial statements.

ICA.Fund

Statement of Functional Expenses

Year Ended December 31, 2020 (with comparative totals for 2019)

	2020				2019
	Program	Management and General	Fundraising and Development	Total	Total
Salaries and related benefits	$ 1,121,096	$ 83,818	$ 285,819	$ 1,490,733	$ 1,249,822
Professional fees, including in-kind of $115,375 and $143,000 in 2020 and 2019, respectively	513,580	112,340	6,715	632,635	558,889
Grants				-	127,243
Interest, including in-kind of $61,042 and $125,000 in 2020 and 2019, respectively	254,686			254,686	182,405
Occupancy	41,477	4,366	8,732	54,575	91,198
Marketing	47,736		20,407	68,143	70,407
Write-down of investments in qualified businesses	750,315			750,315	-
Professional development	8,860		3,797	12,657	25,223
Office supplies	32,582	3,430	6,859	42,871	41,939
Travel	819	8	334	1,161	32,247
Other expenses	57,117	21,946	6,470	85,533	68,971
Total expenses	$ 2,828,268	$ 225,908	$ 339,133	$ 3,393,309	$ 2,448,344

See accompanying notes to financial statements.

ICA.Fund

Statement of Cash Flows

Year Ended December 31, 2020 (with comparative totals for 2019)	2020	2019
Operating Activities:		
Change in net assets	$ 3,364,175	$ 211,106
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in loan loss reserve for notes and accrued interest receivable from qualified businesses	620,014	2,351
Write off of note receivable	100,000	
Change in discount for below market loans	144,237	
Depreciation	1,884	3,723
Unrealized gain on equity investments	(828,789)	(530,192)
Changes in operating assets and liabilities:		
Pledges receivable	(340,000)	162,500
Accrued interest receivables	(47,555)	(59,777)
Other receivables	7,000	101,500
Other assets	(9,253)	6,502
Accounts payable and accrued expenses	19,799	76,744
Deferred revenue	(317,466)	(33,863)
Net cash provided (used) by operating activities	2,714,046	(59,406)
Investing Activities:		
Assets released under collateral agreement	9,298	1,908
Equity investment in qualified businesses	(100,000)	
Issuance of notes receivable to qualified businesses, net	(1,340,078)	(40,000)
Repayments on notes receivable from qualified businesses	88,022	154,019
Net cash (used) provided by investing activities	(1,342,758)	115,927
Financing Activities:		
Proceeds from Paycheck Protection Program loan	222,095	
Proceeds from line of credit	500,000	
Repayments on line of credit	(500,000)	
Repayments on notes payable	(725,000)	
Net cash used by financing activities	(502,905)	-
Net Change in Cash and Cash Equivalents	868,383	56,521
Cash and Cash Equivalents, beginning of year	2,767,880	2,711,359
Cash and Cash Equivalents, end of year	$ 3,636,263	$ 2,767,880
Supplemental Cash Flow Information:		
Cash and cash equivalents	$ 2,888,473	$ 2,141,504
Cash restricted for investment in qualified businesses	747,790	626,376
	$ 3,636,263	$ 2,767,880
Non-cash Information		
Converstion of note receivable to equity holding, including accrued interest of $201,636	$ 997,233	

Interest paid for each of the years ending December 31, 2020 and 2019 was $193,644 and $52,637, respectively.
There were no amounts paid for income taxes.

See accompanying notes to financial statements.

Note 1 - Nature of Organization:

ICA.Fund (formerly known as Inner City Advisors) is a nationally-recognized California not-for-profit organization established in 1996. ICA.Fund accelerates Bay Area businesses through mentoring and investments in order to close the racial and gender wealth gaps. ICA.Fund believes that small businesses are uniquely positioned to create positive community change and are an integral part of ICA.Fund's vision of creating an economy that works for everyone. Fund Good Jobs, Inc., is a California not-for-profit organization established in 2013.

Prior to fiscal year 2020, ICA.Fund and Fund Good Jobs, Inc. (the Organization) worked together to provide small businesses with the capital and support they need to grow, create good jobs, and build wealth for their workers and owners. The Organization operated with the same mission, staff and Board of Directors.

In fiscal year 2020, ICA.Fund and Fund Good Jobs, Inc., merged into a single not-for-profit organization and designated ICA.Fund as the surviving entity. The merged organization continues to operate with the same mission, staff, and Board of Directors, and shall hereinafter continue to be referred to as the Organization. Prior to the merger, Fund Good Jobs, Inc., was a certified Community Development Financial Institution (CDFI). Subsequent to the merger, the Organization applied for and received recertification as a CDFI.

The Organization operates primarily in the San Francisco Bay Area and secures philanthropic funding through program-related investments (PRIs), government grants, and donations to make tailored investments in qualified businesses and provide them with ongoing support and advising.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The Organization's 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

As mentioned in Note 1, Fund Good Jobs, Inc. and ICA.Fund merged during 2020. The merger occurred during November 2020. Prior to this date ICA.Fund and Fund Good Jobs, Inc. presented their respective financial statements on a consolidated basis; however, as of and for the year ending December 31, 2020, the accompanying financial statements are presented as if the merger was effective beginning January 1, 2020.

c. Prior Year Summarized Information

The 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 financial statements for the year ended December 31, 2019, from which the summarized information was derived.

d. Description of Net Assets

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

Without Donor Restrictions

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

With Donor Restrictions

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

e. Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Cash and Cash Equivalents, including Restricted Cash

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

g. Investments in Qualified Businesses

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

Loans and convertible notes are carried at amortized cost. The Organization considers various factors in evaluating the credit quality of loans from qualified businesses, including the value of collateral, if any, historical collection experience, and the Organization's assessment of the counterparties' ability to repay their obligations. As of December 31, 2020, management has assessed the loan loss reserve over the notes receivables from qualified businesses at $753,078 and the reserve over accrued interest receivables at $2,509. Loans and accrued interest receivable are presented in the statement of financial position net of these reserves in investments in qualified businesses and accrued interest receivables, respectively.

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

h. Fair Value Measurements

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

i. Property and Equipment

The Organization capitalizes acquisitions of property and equipment with a cost or value in excess of $3,000 and with an estimated useful life of greater than one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of the asset life or the lease term. As of December 31, 2020 all property and equipment was fully depreciated.

j. Revenue Recognition

Grants and contributions

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions. Contributions received with conditions are recorded as deferred revenue until the conditions have been met.

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

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

Contributed services

The Organization is supported by a network of advisors who contribute their time to businesses in the Organization's network. These advising hours are recorded as contributed revenue at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. For the year ended December 31, 2020, the Organization recognized $115,375 in contributed services.

Contributed interest

The Organization recognizes contributed interest income and expense on notes payable and notes receivable 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 Organization's portfolio companies. Cash received from investments in qualified businesses is included in cash restricted for investment in qualified businesses on the statement of financial position.

k. Income Taxes

ICA.Fund is 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.Fund has been determined by the IRS not to a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluates all significant tax positions. As of December 31, 2020, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability or disclosure.

l. Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, pledges receivable and investments in qualified businesses. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts. Pledges receivable are due from various donors and the Organization evaluates the need for an allowance for doubtful pledges. The Organization manages risks associated with its investments in qualified businesses through a formal evaluation process before an investment is made and regular evaluations while the investments are outstanding. Note 5 describes Investments in Qualified Businesses in more detail.

For the year ended December 31, 2020, two donors comprised approximately 40% of total contribution and grant revenue (four donors comprised 77% in 2019, including one of the same donors included in the 2020 concentration). At December 31, 2020, the pledges receivable balance was comprised of three donors.

m. Functional Allocation of Expenses

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

- Salaries and related expenses and professional fees – allocated based on an estimate by management of time spent in each function;

- Occupancy and office related expenses – allocated based on the Organization's usage of the facilities by function.

n. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 – Leases (Topic 842). Under this ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. Early application of the amendments is permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

In June 2016, the FASB issued ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU replace the current loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information for credit loss estimates. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2020. Early application of the amendments is permitted. The Organization does not expect this pronouncement to have a material impact on its financial statements.

Note 3 - Liquid Assets:

The Organization's financial assets at December 31, 2020, that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	$ 2,888,473
Pledge receivable	600,000
Other receivables	8,500
Subtotal	3,496,973
Less: Net assets with donor restrictions – purpose restrictions	949,923
Financial assets available to meet general expenditures over the next twelve months	$ 2,547,050

The Organization's goal is to maintain cash available for operating expenses at six times the average monthly operating expenses. This target cash balance was approximately $1,200,000 throughout the fiscal year 2020. In the event of an unanticipated liquidity need, the Organization also has the ability to draw upon a $1,000,000 line of credit (see Note 6).

Note 4 - Pledge Receivable:

Pledges receivables in the amount of $600,000 are expected to be collected during 2021. Management believes all amounts are fully collectible and therefore the Organization has not recorded an allowance for doubtful accounts as of December 31, 2020.

Note 5 - Investments in Qualified Businesses, Net:

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

	2020	2019
Convertible notes	$ 400,077	$ 1,280,000
Loan	85,114	88,734
Rapid Response loans	1,240,000	
	1,725,191	1,368,734
Less: Loan and note loss reserve	(133,078)	(133,065)
Loan discount on Rapid Response loans	(144,237)	
Loan loss reserve on Rapid Response loans	(620,000)	-
Total notes and loans, net	827,876	1,235,669
Equity investment	3,451,246	1,525,225
Restricted cash held under guarantee agreement	-	9,298
Total	$ 4,279,122	$ 2,770,192

Since 2016, the Organization has received $450,000 in grant funds to establish a cash reserve for the purpose of protecting the Organization’s risk of future losses on loans and investments. As of December 31, 2020, 100% of these funds have been applied to the Organization’s loan loss reserve.

Unrealized gains

In 2020, there was an unrealized gain in the Organization’s portfolio based on a conversion of outstanding convertible notes into preferred equity shares in the Bakery. This conversion coincided with a Series A equity raise for the Bakery (further described below) and resulted in an unrealized gain of $828,789. This gain is included in fees and other investment income in the statement of activities and changes to net assets.

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

Loans and convertible notes

Fast-Casual Restaurant Chain

In November 2018, the Organization issued a convertible promissory note to a fast-casual restaurant chain for $300,000. The note bears interest at 8.0%. The note was due in full, including accrued interest, in November 2019. As of December 31, 2020, the loan balance was $300,000 plus accrued interest receivable of $50,000. The fast-casual restaurant chain did not pay the outstanding balance at maturity and the Organization granted an extension through December 2021.

Co-Working Space

During December 2013, the Organization loaned a co-working space a total of $300,000 under two note agreements. The first note agreement provides for a $100,000 loan which bears interest at 6.0% and is convertible to equity securities upon certain events occurring. Interest accruals are recorded in accrued interest receivables. The loan was due in full, plus accrued interest, in December 2018. The second note agreement provides for a $200,000 loan which bears interest at 9.0%. In the event the co-working space achieves certain employment goals and other socially responsible covenants, the interest rate will be reduced to 7.0% retroactively. The note provides for monthly principal plus interest payments based on a 10-year term with a balloon payment due December 2018. The first note was uncollateralized. The second note is collateralized by a second position on all assets and has various reporting and financial covenants. In July 2020, principal of $100,000 and interest of $45,286 was forgiven on the first note. As of December 31, 2020, the loan balance under the second note was $85,115 plus accrued interest receivables of $4,965. The Organization granted a four-year extension and repayment in March 2021 on the second note.

A third note was funded in December 2020 as a $50,000 non-interest-bearing, unsecured note in connection with the Rapid Response Liquidity funding discussed below.

Coffee Roastery

During 2020, the Organization loaned the Coffee Roastery a total of $100,077 under two convertible note agreements. The first note agreement was made in October 2020 and provides for a $50,077 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 and amounted to $675 as of December 31, 2020. Beginning in May 2021, the loan principal and interest is due on demand if elected by a majority of the Coffee Roastery's lenders under the convertible note agreement. The second note agreement was made in December 2020 and provides for a $50,000 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 and amounted to $238 as of December 31, 2020. Beginning in May 2021, the loan principal and interest is due on demand if elected by a majority of the Coffee Roastery's lenders under the convertible note agreement.

Rapid Response Liquidity Fund

During 2020, the Organization raised $1,650,000 from foundations and corporations to establish an emergency loan fund for San Francisco Bay Area businesses impacted by COVID-19 (the Rapid Response Liquidity Fund or RRLF). The Organization reduced its normal underwriting standards to help business qualify for the RRLF program and to deploy funding quickly into the community. The loans generally carried terms favorable to the borrowers, such as zero percent interest, deferred loan payments for one year, and loan maturities of 4 years. During 2020, through the RRLF program, the Organization recorded 30 loans totaling $1,240,000 with individual loans ranging between $20,000 to $200,000 each. Due to the reduced underwriting standards, the Organization established a loan loss reserve of $620,000 on the RRLF loans. In addition, to discount the loans to a market rate of interest during 2020, the Organization recorded an aggregate loan discount expense of $168,463 to be amortized over the life of each loan. As of December 31, 2020, the balance of RRLF loans, net of discounts, was $1,095,763.

Equity Investments

Food Products Manufacturer

In May 2016, the Food Products Manufacturer successfully raised $10 million of equity capital (Series A round) which triggered an automatic conversion of the then outstanding convertible notes. 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.

In May 2018, the Food Products Manufacturer successfully raised $3 million of equity capital (Series B round) which triggered an automatic conversion of the then outstanding convertible notes. Principal and accrued interest of $80,817 converted to 505,104 shares of preferred stock. The Organization supported the Food Products Manufacturer with an additional $100,000 of equity in this round. Series B preferred shareholders have certain rights if a liquidation event occurs, including payment of up to $0.20 per share, plus a pro rata share of any remaining assets of the corporation, distributed among holders of both common and preferred stock.

The value of the combined preferred stock at the time of the Series C equity round and as of December 31, 2019, was $1,175,021. In November 2020, the Organization purchased a Simple Agreement for Future Equity (SAFE) for $100,000 increasing the investment value to $1,275,021. Fair value measurements were considered level 2 inputs. Management determined no impairment of this equity investment was needed as of December 31, 2020, based on the company’s equity financing event, growth in sales, and new partnerships with national retailers.

Bakery

In July 2020, the Organization converted the aggregate principal and interest balance due on the Bakery's convertible note payable of $997,233 into shares of the Bakery's Series A Preferred Stock, valued at $1,826,022. The Organization recorded an unrealized gain of $828,789 upon conversion. Fair value measurements were considered level 2 inputs. Management determined no impairment of this equity investment was needed as of December 31, 2020.

Coffee Roastery

In October 2015, the Organization issued a convertible promissory note to the Coffee Roastery 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. In January 2019, $33,709 of the loan was paid off and the remaining $66,291 was converted into preferred equity shares of the company valued at $350,204. Fair value measurements were considered level 2 inputs.

Restricted cash held under guarantee agreement

Meat Producer and Restaurant

The Organization has an agreement where it is the guarantor of 20% of a term loan held by one of the Organization's portfolio clients. The loan has monthly principal and interest payments. As a result, the Organization's exposure relating to the loan is reduced as the portfolio client's debt balance decreases. The guarantee is fully collateralized by a deposit for a like sum held at a bank. As of May 2019, the company filed for bankruptcy and has been going through a liquidation process with the bank and other stakeholders. The Organization has downgraded the risk rating on this guarantee to "Loss" and allocated 100% of the outstanding balance to the loan loss reserve until the liquidation process is resolved. As of December 31, 2019, the Organization's guarantee balance was $9,298. During 2020, the guarantee balance was increased to $13,120 and was fully paid by the Organization.

Note 6 - Line of Credit:

The Organization has a $1,000,000 variable rate revolving line of credit with a bank. The line bears interest at the bank's index rate annually, or 3.25% at December 31, 2020. The line of credit matures in December 30, 2021. The line of credit is secured by all of the Organization's business assets and contains certain restrictive covenants. There was no balance outstanding at December 31, 2020. The Organization was in compliance with its covenants.

The Organization also has a $500,000 variable rate revolving line of credit with a bank. The line bears interest at the bank's index rate plus 2.25% annually, or 5.50% at December 31, 2020. The line of credit matured on January 2, 2021 and was not renewed. 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, 2020, and the Organization was in compliance with its covenants.

Note 7 - Notes and Loans Payable:

Notes payable as of December 31, 2020, are as follows:

In December 2014, the Organization received a $1,000,000 recoverable grant from S.H. Cowell Foundation for the purpose of adding to a loan pool from which the Fund may make loans to existing small businesses. The Fund has not made any principal payments. Pursuant to the agreement, the proceeds of the loan and any interest earned can only be used to invest in qualified businesses. The recoverable grant has a seven-year term with annual interest only payments at 2.5%. The recoverable grant is due in full in December 2021. As of December 31, 2020, the cash available for investment in qualified businesses from this loan is $415,276, and is included in cash restricted for investment in qualified businesses on the statement of financial position.

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

In 2015, the Organization deployed the full $100,000 in the form of a note receivable to a qualified business. In August 2020, the recoverable grant was repaid.

In November 2011, the Organization obtained a $1,250,000 program related investment loan from Y&H Soda Foundation. The note bears interest only at 1.0% per annum commencing January 1, 2013. Interest is payable annually in arrears on the last day of December commencing 2013. The principal balance was $625,000 as of December 31, 2020, of which $625,000 was due upon maturity in January 2021. 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. As of December 31, 2020, the cash available for investment in qualified businesses from this loan is $281,319, and is included in cash restricted for investment in qualified businesses on the statement of financial position.

In April 2020, the Organization obtained a $222,095 Paycheck Protection Program loan from SBA lender Self-Help FCU. The note bears interest at 1.00% per annum and matures in April 2022. As of December 31, 2020, the balance outstanding was $222,095. In February 2021, the Organization received forgiveness of $222,095 of principal and $1,819 of interest on its Paycheck Protection Program loan.

In October 2020, the Organization obtained a $1,000,000 program related investment loan from Living Cities Blended Catalyst Fund. The note bears interest only at 3.00% per annum commencing on the first calendar quarter after funding. Interest is payable quarterly on the first day of each successive calendar quarter thereafter and upon maturity. The maturity date is in August 2025. As of December 31, 2020, the note was not funded and there was no balance due.

Note 8 - Net Assets with Donor Restrictions:

Net assets with donor restrictions at December 31, 2020 consist of the following:

ICA time restricted for general operations	$ 550,000
ICA time and purpose restrictions for programs	949,923
Total	$ 1,499,923

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 $1,748,163 during the year ended December 31, 2020.

Note 9 - Related Party Transactions:

The Board members of ICA and the Fund are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board or from companies with which the Board is affiliated were $20,380, for the year ended December 31, 2020.

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

Note 10 - Commitments:

In February 2014, the Organization signed a lease agreement for office space. This lease was on a month-to-month basis with monthly rent of approximately $2,200 per month. In February 2019, the lease was renewed for six months through July 2019, for additional space with monthly rent of approximately $5,000 per month. The lease was renewed for the period of October 2019 through March 2020 with monthly rent of approximately $5,600 per month. The lease continued on a month-to-month basis starting April 2020 with monthly rent reducing to approximately $2,600 per month starting in July 2020.

The Organization's rental expense for the year ended December 31, 2020 was $54,575.

In March 2021, the Organization executed a 12-month lease agreement for office space at its headquarters location. Monthly lease payments are $9,300.

Note 11 - 401(k) Retirement Plan:

Beginning January 1, 2015, the Organization adopted a 401(k) retirement plan. Under this plan, all employees are eligible to participate with a minimum age requirement of 21 years. The Organization may make matching contributions equal to a discretionary percentage to be determined by the Organization. The Organization is also entitled to make a discretionary contribution for the year. For the year ended December 31, 2020 the Organization's matching and discretionary contributions to this plan were $31,246.

Note 12 - Impact of the Pandemic and Racial Issues:

The COVID-19 pandemic continued into 2021, with a significant number of new cases. Measures taken by various governments to contain the virus continue to affect economic activity. The Organization has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the Organization's people (such as social distancing and working from home) and delivering the business coaching programs to entrepreneurs remotely. At this stage, the impact on the Organization's business and results has been positive. Additionally, as the Organization operates in the San Francisco Bay Area serving women-owned business and entrepreneurs of color, the Organization has found increased demand for its products and services and expect this to continue.

The extension of the COVID-19 crisis into 2021 continues to cause severe economic hardship for many local businesses. If the crises continues, the extended duration may further impact the Organization's Rapid Response Liquidity Fund (RRLF) that was launched in 2020 to provide 0%-interest loans to local businesses affected by the pandemic. As of April 2021, the Organization evaluated the loan loss reserves on the RRLF and maintained it at $620,000.

The existing portfolio companies of the Organization have also been affected by the pandemic, many of which have been able to secure SBA funding through the Paycheck Protection Program. As of April 2021, the Organization evaluated its portfolio companies and did not find any impairment issues and has not written-down any investments during 2021.

In addition to supporting the community, the Organization has taken the necessary steps to ensure its own fiscal security moving forward. Grant funding has increased due to the Organization being in a position to directly assist businesses affected by the pandemic and businesses that are owned by women or people of color in the San Francisco Bay Area. In addition, the Organization during 2021 established Board-designated debt repayment and long-term operating cash reserves. Based on this increase in funding and cash reserves, the Organization remains in a strong fiscal position.

Note 13 - Subsequent Events:

The Organization evaluated subsequent events from December 31, 2020 through May 27, 2021, the date these financial statements were available to be issued. Except as noted below and in Notes 5, 6, 7, 10 and 12, there were no material subsequent events that required recognition or additional disclosure in these financial statements other than the matters discussed below.

The Organization's opportunities for investments in qualified businesses continued and as such the following investments were made:

- In February 2021, the Organization purchased a $200,000 SAFE investment in a second food manufacturing company.
- In March 2021, the Organization purchased $500,000 of preferred stock in a women's sports apparel manufacturer and retailer.
- In April 2021, the Organization purchased $500,000 of convertible debt in a third food manufacturing company.
- In May 2021, the Organization purchased a $250,000 SAFE investment in a fourth food manufacturing company.
- The Organization repaid $625,000 of the outstanding note payable to Y&H Soda Foundation in January 2021 as scheduled (Note 7).
- In March 2021, the Organization borrowed $500,000 under an existing loan agreement with Living Cities Blended Catalyst Fund (Note 7).
- In March 2021, the Organization executed a $1,000,000 loan agreement with the San Francisco Foundation for a new program related investment loan. The note bears interest only at 3.0% per annum. Interest is payable quarterly in arrears on the first day of each calendar quarter. The maturity date is in April 2031. 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 advance community development. In April 2021, the Organization borrowed $500,000 on the loan agreement to make an equity investment.
- In April 2021, the Organization received a $1,000,000 grant from the eBay Foundation, which is to be used for general support.

- In April 2021, the Organization received a $2,000,000 grant from Wells Fargo Bank of which $1,300,000 is to be loaned or invested in equity to entrepreneurs of color, $450,000 is to be used to establish loan loss reserves, and $250,000 is to be used for general support.

- In April 2021, the Organization submitted a formal application to the CDFI for certification and received such certification in May 2021.

- In April 2021, the Organization's board of directors designated and funded two reserve funds, a long-term operating reserve and a debt repayment reserve in the amounts of $50,000 and $1,919,000, respectively.