

ICA.FUND

DECEMBER 31, 2021

INDEPENDENT AUDITORS' REPORT, AND
FINANCIAL STATEMENTS

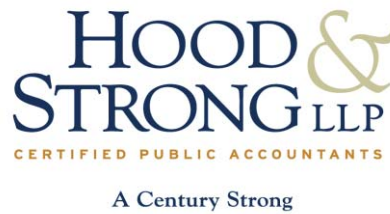
ICA.Fund

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
ICA.FUND
Oakland, California

Opinion

We have audited the financial statements of **ICA.FUND (the Organization)**, which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
June 20, 2022

ICA.Fund

Statement of Financial Position

<i>December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 4,522,251	\$ 2,888,473
Pledges receivable	125,000	600,000
Accrued interest receivables, net	113,358	53,369
Other receivables	11,166	8,500
Cash restricted for investment in qualified businesses	3,082,584	747,790
Investments in qualified businesses, net	8,273,064	4,279,122
Other assets	11,698	11,254
Total Assets	\$ 16,139,121	\$ 8,588,508
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 206,406	\$ 188,702
Notes payable	5,300,000	1,625,000
Paycheck Protection Program loan	-	222,095
Total liabilities	5,506,406	2,035,797
Net Assets:		
Without donor restrictions	8,757,715	5,052,788
With donor restrictions	1,875,000	1,499,923
Total net assets	10,632,715	6,552,711
Total Liabilities and Net Assets	\$ 16,139,121	\$ 8,588,508

See accompanying notes to financial statements.

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Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021 (with comparative totals for 2020)

	2021			2020
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Revenues and Support:				
Contributions and grants	\$ 4,129,544	\$ 1,875,000	\$ 6,004,544	\$ 5,583,321
Contributed services	117,865		117,865	115,375
Other income	12,975		12,975	36,259
Interest income from qualified businesses	187,121		187,121	132,698
Fees and other investment income from qualified businesses	599,140		599,140	828,789
Contributed interest income	81,057		81,057	61,042
Net assets released from restrictions	1,499,923	(1,499,923)	-	-
Total revenue and support	6,627,625	375,077	7,002,702	6,757,484
Expenses:				
Program services	2,510,563		2,510,563	2,828,268
Management and general	202,528		202,528	225,908
Fundraising and development	431,702		431,702	339,133
Total expenses	3,144,793	-	3,144,793	3,393,309
Total Change in Net Assets, before Forgiveness of PPP Loan	3,482,832	375,077	3,857,909	3,364,175
Forgiveness of PPP loan	222,095		222,095	-
Total Change in Net Assets, after Forgiveness of PPP Loan	3,704,927	375,077	4,080,004	3,364,175
Net Assets, beginning of year	5,052,788	1,499,923	6,552,711	3,188,536
Net Assets, end of year	\$ 8,757,715	\$ 1,875,000	\$ 10,632,715	\$ 6,552,711

See accompanying notes to financial statements.

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Statement of Functional Expenses

Year Ended December 31, 2021 (with comparative totals for 2020)

	2021				2020
	Program	Management and General	Fundraising and Development	Total	Total
Salaries and related benefits	\$ 1,398,659	\$ 102,415	\$ 359,636	\$ 1,860,710	\$ 1,490,733
Professional fees, including in-kind of \$109,875 and \$115,375 in 2021 and 2020, respectively	406,242	83,130	6,475	495,847	632,635
Interest, including in-kind of \$81,057 and \$61,042 in 2021 and 2020, respectively	343,062			343,062	254,686
Occupancy	46,616	5,934	9,814	62,364	54,575
Marketing	83,631	249	35,642	119,522	68,143
Write-down of investments in qualified businesses				-	750,315
Professional development	8,518		3,651	12,169	12,657
Office supplies	41,682	4,388	8,775	54,845	42,871
Travel	3,497		1,513	5,010	1,161
Other expenses	178,656	6,412	6,196	191,264	85,533
Total expenses	\$ 2,510,563	\$ 202,528	\$ 431,702	\$ 3,144,793	\$ 3,393,309

See accompanying notes to financial statements.

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Statement of Cash Flows

<i>Year Ended December 31, 2021 (with comparative totals for 2020)</i>	2021	2020
Operating Activities:		
Change in net assets	\$ 4,080,004	\$ 3,364,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in loan loss reserve for notes and accrued interest receivable from qualified businesses	(21,477)	620,014
Write off of note receivable		100,000
Change in discount for below market loans	99,164	144,237
Depreciation		1,884
Unrealized gain on equity investments	(596,140)	(828,789)
Forgiveness of PPP loan	(222,095)	
Changes in operating assets and liabilities:		
Pledges receivable	475,000	(340,000)
Accrued interest receivables	(49,250)	(47,555)
Other receivables	(2,666)	7,000
Other assets	(444)	(9,253)
Accounts payable and accrued expenses	17,704	19,799
Deferred revenue		(317,466)
Net cash provided by operating activities	3,779,800	2,714,046
Investing Activities:		
Assets released under collateral agreement		9,298
Equity investment in qualified businesses	(1,634,998)	(100,000)
Issuance of notes receivable to qualified businesses, net	(2,373,335)	(1,340,078)
Repayments on notes receivable from qualified businesses	522,105	88,022
Net cash used by investing activities	(3,486,228)	(1,342,758)
Financing Activities:		
Proceeds from PPP loan		222,095
Proceeds from line of credit	350,000	500,000
Repayments on line of credit	(350,000)	(500,000)
Repayments on notes payable	3,675,000	(725,000)
Net cash provided (used) by financing activities	3,675,000	(502,905)
Net Change in Cash and Cash Equivalents	3,968,572	868,383
Cash and Cash Equivalents, beginning of year	3,636,263	2,767,880
Cash and Cash Equivalents, end of year	\$ 7,604,835	\$ 3,636,263
Supplemental Cash Flow Information:		
Cash and cash equivalents	\$ 4,522,251	\$ 2,888,473
Cash restricted for investment in qualified businesses	3,082,584	747,790
	\$ 7,604,835	\$ 3,636,263
Non-cash Information:		
Conversion of note receivable to equity holding, including accrued interest of \$201,636 in 2020	\$ 50,000	\$ 997,233
Interest paid	\$ 35,233	\$ 193,644
There were no amounts paid for income taxes.		

See accompanying notes to financial statements.

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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.

Prior to fiscal year 2020, ICA.Fund and Fund Good Jobs, Inc. 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. ICA.Fund and Fund Good Jobs, Inc. operated with the same mission, staff and Board of Directors. Fund Good Jobs, Inc., was a California not-for-profit organization from 2013 to 2020. In fiscal year 2020, ICA.Fund and Fund Good Jobs, Inc., merged into a single not-for-profit organization and designated ICA.Fund (the Organization) 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 advisory services.

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. 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, 2020, from which the summarized information was derived.

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Notes to Financial Statements

c. 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 not subject to donor-imposed restrictions 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.

d. 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.

e. 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.

f. 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 net of discounts for below market interest rates of \$243,401. Additionally, the Organization considers various factors in evaluating the credit quality of loans to 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, 2021, management has assessed the loan loss reserve over the notes receivable from qualified businesses at \$742,340 and the reserve over accrued interest receivables at \$13,428. 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.

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Notes to Financial Statements

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

g. 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.

h. Property and Equipment

The Organization capitalizes acquisitions of property and equipment with a cost or value in excess of \$3,000 and with an estimated useful life of greater than one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of the asset life or the lease term. As of December 31, 2021, all property and equipment was fully depreciated.

i. Revenue Recognition

Grants and contributions

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

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Notes to Financial Statements

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, 2021, the Organization recognized \$109,875 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. For the year ended December 31, 2021, the Organization recognized \$81,057 in contributed interest.

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.

j. Income Taxes

The Organization 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. The Internal Revenue Service (IRS). Additionally, the Organization has been determined by the not to be 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, 2021, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability or disclosure.

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Notes to Financial Statements

k. Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, restricted cash for investment in qualified businesses, 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 and 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, 2021, three donors comprised approximately 67% of total contribution and grant revenue (two donors comprised 40% in 2020, including one of the same donors included in the 2021 concentration). At December 31, 2021, the pledges receivable balance was comprised of one donor.

l. 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.

m. 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. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

In 2021, the Organization began reviewing FASB 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. This ASU is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

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Notes to Financial Statements

Note 3 - Liquid Assets:

The Organization's financial assets at December 31, 2021, available to meet general expenditures over the next twelve months were as follows:

Financial assets:	
Cash and cash equivalents	\$ 4,522,251
Pledge receivable	125,000
Other receivables	11,166
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Subtotal	4,658,417
Less:	
Net assets with donor restrictions – purpose restrictions	1,875,000
Board-designated fund for loan repayment (See Note 7)	1,512,279
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Financial assets available to meet general expenditures over the next twelve months	\$ 1,271,138

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 \$1,700,000 throughout the fiscal year 2021. 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 \$125,000 are expected to be collected during 2022. Management believes all amounts are fully collectible and therefore the Organization has not recorded an allowance for doubtful accounts as of December 31, 2021.

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Notes to Financial Statements

Note 5 - Investments in Qualified Businesses, Net:

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

	2021	2020
Convertible notes	\$ 2,393,411	\$ 400,077
Loan	85,114	85,114
Rapid Response loans	1,097,895	1,240,000
Subtotal	3,576,420	1,725,191
Less:		
Loan loss reserve on Loan and Notes	(458,471)	(133,078)
Loan discount on Loan and Notes	(153,591)	-
Loan loss reserve on Rapid Response loans	(283,869)	(620,000)
Loan discount on Rapid Response loans	(89,810)	(144,237)
Total notes and loans, net	2,590,679	827,876
Equity investment	5,682,385	3,451,246
Total	\$ 8,273,064	\$ 4,279,122

The activity in the loan loss reserves, for the year ended December 31, 2021, is as follows:

	Rapid Response Loans	Loans and Notes	Total
Balance, December 31, 2020	\$ 620,000	\$ 133,078	\$ 753,078
Additions (Reductions)	(336,131)	325,393	(10,738)
Balance, December 31, 2021	\$ 283,869	\$ 458,471	\$ 742,340

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, 2021, 100% of these funds are included in Restricted Cash.

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Notes to Financial Statements

During 2021, the Organization reduced the loan loss reserve for Rapid Response Loans by \$336,131 due to the lowered risk associated with a majority of the such loans making all initially-scheduled principal payments in accordance with their loan agreements. Also, during 2021, the loan loss reserve for all other loans and notes was increased by \$325,393 due to the increased risk associated with an increase in convertible notes balances from \$400,077 to \$2,393,411.

Unrealized gain

In 2021, there was an unrealized gain in the Organization's portfolio based on the change in the value of the preferred and common equity shares of the Food Product Manufacturer. This change resulted in an unrealized gain of \$596,140. This gain is included in fees and other investment income in the accompanying statement of activities and changes to net assets.

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

Loans and convertible notes

Fast-Casual Restaurant Chain

In 2018, the Organization issued a convertible promissory note to a Fast-Casual Restaurant Chain for \$300,000. The note bears interest at 8.0% and is convertible to equity securities upon certain events occurring. The maturity date is December 31, 2022. As of December 31, 2021, the note balance was \$300,000 plus accrued interest receivable of \$74,000.

Plant-Based Food Manufacturer

In 2021, the Organization issued a convertible promissory note to a Plant-Based Food Manufacturer for \$550,000. The note bears interest at 5% and is convertible to equity securities upon certain events occurring. The maturity date is June 1, 2022, which the borrower may extend at its option to December 1, 2022. As of December 31, 2021, the note balance was \$550,000 plus accrued interest receivable of \$18,760. In June 2022, the Plant-Based Food Manufacturer exercised its option to extend the maturity date of its convertible promissory note to December 1, 2022.

Coffee Importer

In 2021, the Organization issued a convertible promissory note to a Coffee Importer for \$325,000. The note bears interest at 6% and is convertible to equity securities upon certain events occurring. The maturity date is June 25, 2023. As of December 31, 2021, the note balance was \$325,000 plus accrued interest receivable of \$9,349.

Team Sports Apparel Manufacturer

In 2021, the Organization issued a convertible promissory note to a Team Sports Apparel Manufacturer for \$325,000. The note bears interest at 5% and is convertible to equity securities upon certain events occurring. The maturity date is June 3, 2023. As of December 31, 2021, the note balance was \$325,000 plus accrued interest receivable of \$10,097.

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Notes to Financial Statements

Dessert Products Manufacturer

In 2021, the Organization issued a convertible promissory note to a Dessert Products Manufacturer for \$295,000. The note is non-interest bearing and is convertible to equity securities upon certain events occurring and upon terms that are subject to the achievement of certain social impact milestones by the borrower. The note is payable in twenty-four (24) equal monthly installments upon written demand of the Organization on or after December 7, 2026. In order to discount the loans to a market rate of interest, the Organization recorded a loan discount expense of \$83,934 during 2021 at a rate of 5.50% per annum, to be amortized over the expected life of the note. The balance of the note, net of discounts, was \$211,066 as of December 31, 2021.

Music Device Manufacturer

In December 2021, the Organization issued a convertible promissory note to a Music Device Manufacturer for \$250,000. The note is non-interest bearing and is convertible to equity securities upon certain events occurring and upon terms that are subject to the achievement of certain social impact milestones by borrower. The note is payable in twenty-four (24) equal monthly installments upon written demand of the Organization on or after December 6, 2026. In order to discount the loans to a market rate of interest, the Organization recorded a loan discount expense of \$71,131 during 2021 at a rate of 5.50% per annum, to be amortized over the expected life of the note. The balance of the note, net of discounts, was \$178,869 as of December 31, 2021.

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. Through the RRLF program, the Organization recorded 36 loans totaling \$1,240,000 and \$230,000 during 2020 and 2021, respectively, 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 during 2020 on the RRLF loans, which reduced to \$283,869 during 2021. In order to discount the loans to a market rate of interest, the loan discount was \$89,810 and \$168,463 in 2021 and 2020, respectively, which is amortized over the life of each loan. The balance of RRLF loans, net of discounts, was \$1,008,085 and \$1,095,763 as of December 31, 2021 and 2020, respectively.

Other Notes and Loan

As of December 31, 2021, the Organization held five additional notes in the amount of \$435,525. Two of these notes totaled \$100,077 which the Organization is working to renegotiate with the borrower and two which totaled \$248,333 are due in 2024. There is one loan with a balance of \$85,114. Accrued interest on these loans was \$14,400.

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Notes to Financial Statements

Equity Investments

Fair value measurements of equity investments were considered level 2 inputs. Management determined there was no impairment of equity investments as of December 31, 2021.

Coffee Roastery

In 2019, the Organization's convertible promissory note in the Coffee Roastery was converted into preferred equity shares of the company. The value as of December 31, 2021, was \$350,204.

Food Products Manufacturer

In 2020, the Organization purchased a Simple Agreement for Future Equity (SAFE) for \$100,000 of the Food Products Manufacturer, increasing the investment value to \$1,275,021 as of December 31, 2020. In 2021, the Organization invested an additional \$25,000 as part of a \$14.5 million Series D equity round which resulted in an unrealized gain of \$596,140. The value of the combined preferred stock as of December 31, 2021, was \$1,896,160.

Bakery

In 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, recording an unrealized gain of \$828,789 upon conversion. The investment was valued at \$1,826,022 as of December 31, 2020. In 2021, the Organization increased its investment in the Bakery to \$1,986,021 as of December 31, 2021.

Sports Clothing Manufacturer

In 2021, the Organization invested \$550,000 in the preferred stock of a Sports Clothing Manufacturer.

Seed Capital Program

In 2021, the Organization established a seed capital program to make equity investments in early-stage, growth-oriented businesses that have participated in the Organization's accelerator and coaching programs but lack access to equity financing. Through this program, the Organization funded nine (9) equity investments of \$50,000 each, totaling \$450,000 as of December 31, 2021.

Other Equity Investments

The Organization invested \$450,000 in 2021 in two other companies.

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Notes to Financial Statements

Note 6 - Line of Credit:

The Organization has a \$1,000,000 variable rate revolving line of credit with a bank. The line bears annual interest at the bank's index rate, or 3.25% at December 31, 2021. The line of credit matures June 15, 2023. The line of credit is secured by all of the Organization's business assets and contains certain restrictive covenants. There was no balance outstanding and the Organization was in compliance with its covenants at December 31, 2021.

Note 7 - Notes and Loans Payable:

During 2021, the Organization established a board-designated cash reserve in a segregated bank account for the repayment of notes and loans payable. As of December 31, 2021, the balance of this reserve was \$1,512,279. Notes payable as of December 31, 2021, were as follows:

In 2021, the Organization renewed a \$1,000,000 recoverable grant from S.H. Cowell Foundation for the purpose of investing in qualified businesses. The recoverable grant has annual interest payments of 2.50% and the maturity date is in September, 2030. As of December 31, 2021, the balance due on this loan was \$1,000,000 and the cash available for investment in qualified businesses of \$415,276 is included in cash restricted for investment in qualified businesses on the statement of financial position.

In 2020, the Organization obtained a \$1,000,000 program related investment loan from Living Cities Blended Catalyst Fund for the purpose of investing in qualified businesses. The loan bears interest at 3.00% per annum and the maturity date is in August, 2025. As of December 31, 2021, the balance due on this loan was \$1,000,000 and all of the funds were fully invested in qualified businesses.

In 2021, the Organization obtained a \$1,000,000 program related investment loan from The San Francisco Foundation for the purpose of investing in qualified businesses. The loan bears interest at 3.00% per annum and maturity date is in April, 2031. As of December 31, 2021, the balance due on this loan was \$1,000,000 and the cash available for investment in qualified businesses of \$150,000 is included in cash restricted for investment in qualified businesses on the statement of financial position.

In 2021, the Organization obtained a \$1,000,000 program related investment loan from Opportunity Finance Network for the purpose of investing in qualified businesses that are Black-owned. The note requires interest only payments at 1.00% per annum and the maturity date is in May, 2030. As of December 31, 2021, the balance due on this loan was \$1,000,000 and the cash available for investment in qualified businesses of \$425,000 is included in cash restricted for investment in qualified businesses on the statement of financial position.

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In 2021, the Organization obtained a \$1,000,000 program related investment loan from The California Wellness Foundation for the purpose of investing in qualified businesses. The note bears interest at 2.00% per annum and the balance due is payable in five equal annual installments commencing in April, 2027. As of December 31, 2021, the balance due on this loan was \$200,000 and the cash available for investment in qualified businesses of \$75,000 is included in cash restricted for investment in qualified businesses on the statement of financial position.

In 2021, the Organization obtained a \$1,000,000 program related investment loan from CNote Lending, LLC for the purpose of investing in qualified businesses that are owned by women of color. The note bears interest at 1.50% per annum and the maturity date is in October, 2026. As of December 31, 2021, the balance due on this note was \$1,000,000 and cash available for investment in qualified businesses of \$650,000 is included in cash restricted for investment in qualified businesses on the statement of financial position.

The Organization has one other note outstanding at December 31, 2021 in the amount of \$100,000 due in August 2025.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2021 consisted of items with purpose and time restrictions in the amount of \$1,875,000.

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 \$1,499,923 during the year ended December 31, 2021.

Note 9 - Related Party Transactions:

The Board members of the Organization are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board or from companies with which Board members are affiliated were \$45,080, for the year ended December 31, 2021.

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Notes to Financial Statements

Note 10 - Commitments:

In February 2014, the Organization signed a lease agreement for office space. 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. In March 2021, the Organization executed a 12-month lease agreement with monthly lease payments of \$9,300. In June 2021, the building was acquired by another entity, and the lease was terminated. The Organization is currently operating in a remote work environment.

The Organization's rental expense for the year ended December 31, 2021 was \$61,337.

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, 2021 the Organization's matching and discretionary contributions to this plan were \$40,518, which is included in salaries and related benefits in the accompanying statement of functional expenses.

Note 12 - Impact of the Pandemic and Racial Issues:

The COVID-19 pandemic, continued into 2022 with a significant number of new cases in subsequent waves since it first impacted the United States in 2020. Measures taken by various governments to contain the virus continued 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 pandemic has not had a material adverse effect on the Organization's business and results. 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 expects this to continue.

To address the economic hardship experienced by many local businesses from the pandemic, the Organization launched in 2020 the Rapid Response Liquidity Fund (RRLF) to provide zero-percent-interest loans. The extension of the COVID-19 crisis into 2022 continued to cause severe economic hardship for many local businesses. If the crisis continues, the extended duration may negatively impact the RRLF. As of May 2022, the Organization evaluated the loan loss reserves on the RRLF and maintained it at \$283,869.

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Notes to Financial Statements

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 and other COVID-19 relief programs. As of May 2022, the Organization evaluated its portfolio companies and did not find any impairment issues and has not written-down any investments during 2022.

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 in 2021 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.

Note 13 - Subsequent Events:

The Organization evaluated subsequent events from December 31, 2021 through June 20, 2022, the date these financial statements were available to be issued., There were no material subsequent events that required recognition or additional disclosure in these financial statements other than the matters discussed below and in Notes 5 and 12.

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

- In January 2022, the Organization issued a \$374,000 convertible note to the Sports Clothing Manufacturer.
- In April 2022, the Organization issued a \$300,000 convertible note to a second Plant-Based Food Manufacturer.
- In April 2022, the Organization received a \$1,000,000 grant from the eBay Foundation, which is to be used for general support.