RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates as of December 31, 2017, 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.

Prior Period Financial Statements

The consolidated financial statements of Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates as of and for the years ended December 31, 2016 and 2015, were audited by other auditors whose report thereon dated July 10, 2017, expressed an unmodified opinion.

Moss Adams LLP

San Francisco, California
June 29, 2018

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 33,612,523	$ 15,561,821
Mission-related loans and investments:		
Loans receivable, net of allowance for loan losses of $2,297,754 and $2,273,152 as of December 31, 2017 and 2016, respectively	105,458,634	97,237,989
Investments, at fair value	66,021,059	73,631,187
Investments, held at cost	1,147,992	251,840
Prepaid expenses and other assets	2,515,566	1,240,784
Total assets	$ 208,755,774	$ 187,923,621
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 489,199	$ 226,317
Investor notes payable	119,771,474	112,518,335
Other notes payable	6,001,532	6,005,574
Total liabilities	126,262,205	118,750,226
Net assets		
Unrestricted	82,343,569	68,773,395
Temporarily restricted	50,000	300,000
Permanently restricted	100,000	100,000
Total net assets	82,493,569	69,173,395
Total liabilities and net assets	$ 208,755,774	$ 187,923,621

See accompanying notes to consolidated financial statements.

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Management and other fee income	$ 636,111	$ -	$ -	$ 636,111
Net interest and investment income				
Interest income – loans receivable	5,318,893	-	-	5,318,893
Investment income, net	288,153	-	-	288,153
Net interest and investment income	5,607,046	-	-	5,607,046
Gifts and contributions	34,494,840	-	-	34,494,840
Program revenue	254,549	-	-	254,549
Net assets released from restrictions	250,000	(250,000)	-	-
Total revenues and other support	41,242,546	(250,000)	-	40,992,546
Expenses				
Program services				
Grants made to programs	18,434,783	-	-	18,434,783
Interest expense – investor notes payable	1,035,568	-	-	1,035,568
Personnel costs	5,329,008	-	-	5,329,008
Loan loss provision	65,000	-	-	65,000
Other projects and program expenses	642,149	-	-	642,149
Total program services	25,506,508	-	-	25,506,508
Supporting services				
Management and general	2,165,864	-	-	2,165,864
Total expenses	27,672,372	-	-	27,672,372
Changes in net assets	13,570,174	(250,000)	-	13,320,174
Net assets at beginning of year	68,773,395	300,000	100,000	69,173,395
Net assets at end of year	$ 82,343,569	$ 50,000	$ 100,000	$ 82,493,569

See accompanying notes to consolidated financial statements.

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Management and other fee income	$ 657,360	$ -	$ -	$ 657,360
Net interest, fees, and investment income				
Interest income – loans receivable	4,768,300	-	-	4,768,300
Investment loss, net	(329,947)	-	-	(329,947)
Net interest and Investment income	4,438,353	-	-	4,438,353
Gifts and contributions	20,314,510	250,000	-	20,564,510
Total revenues and other support	25,410,223	250,000	-	25,410,223
Expenses				
Program services				
Grants made to programs	13,236,076	-	-	13,236,076
Interest expense - notes payable	617,789	-	-	617,789
Personnel costs	3,470,315	-	-	3,470,315
Loan loss provision	399,848	-	-	399,848
Other projects and program expenses	896,194	-	-	896,194
Total program services	18,620,222	-	-	18,620,222
Supporting services				
Management and general	4,138,359	-	-	4,138,359
Total expense	22,758,581	-	-	22,758,581
Changes in net assets	2,651,642	250,000	-	2,901,642
Net assets at beginning of year	66,121,753	50,000	100,000	66,271,753
Net assets at end of year	$ 68,773,395	$ 300,000	$ 100,000	$ 69,173,395

See accompanying notes to consolidated financial statements.

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 13,320,174	$ 2,901,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loan loss provision	65,000	399,848
Depreciation expense	105,007	63,300
Net realized and unrealized loss on investments	527,301	1,122,538
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,267,374)	(313,056)
Accounts payable and accrued expenses	262,881	(172,289)
Net cash provided by operating activities	13,012,989	4,001,983
Cash flows from investing activities		
Loan originations, net of principal collections	(8,285,644)	(18,415,586)
Decrease in restricted cash	-	216,046
Purchase of investments	(13,000,000)	(12,577,069)
Proceeds from sale or maturity of investments	19,186,675	2,000,000
Purchases of furniture and equipment	(112,415)	(266,924)
Net cash used in investing activities	(2,211,384)	(29,043,533)
Cash flows from financing activities		
Net proceeds from investor notes payable	7,253,139	5,369,857
(Paydown) proceeds on other notes payable	(4,042)	6,005,574
Net cash provided by financing activities	7,249,097	11,375,431
Net increase (decrease) in cash and cash equivalents	18,050,702	(13,666,119)
Cash and cash equivalents at beginning of year	15,561,821	29,227,940
Cash and cash equivalents at end of year	$ 33,612,523	$ 15,561,821

Supplemental Disclosures on Cash Flow Information

	2017	2016
Net interest on notes payable	$ 944,817	$ 628,644
Income taxes paid	$ 17,963	$ 89,300

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION

Rudolf Steiner Foundation, Inc. dba: RSF Social Finance ("RSF") was incorporated in 1936. As a nonprofit benefit organization, RSF creates social benefit through innovative approaches to working with money that reflect the highest aspirations of the human spirit. RSF fosters relationships, collaboration, and community building as the basis for the movement of money and the cultivation of living economies. RSF provides ways for donors, investors, borrowers, and grant recipients to use money to integrate their values with practical objectives. To further this mission, RSF carries out its services on a worldwide basis through philanthropic services, social investment, lending, grant making, advising, and educational programs. RSF's focus areas include: sustainable agriculture and food distribution systems, education and the arts, ecological stewardship.

The consolidated financial statements include the following affiliates: RSF Global Community Fund, Inc. ("GCF"); RSF Social Investment Fund, Inc. ("SIF"); RSF Charitable Asset Management, LLC ("CAM LLC"); RSF Social Enterprise, Inc. ("SEI"); RSF Capital Management, PBC ("CMP"); and RSF Mezzanine Management, LLC ("MML"). GCF and SIF are California nonprofit public benefit corporations established for the special and exclusive purpose of supporting financial and charitable activities of RSF. CAM LLC, a California limited liability company controlled by RSF, is an investment portfolio entity that was created by RSF to consolidate the investments of RSF and its affiliates relative to their philanthropic services activities. CMP is a Delaware for-profit public benefit corporation established by RSF to manage its for-profit activities and to act as managing member of MML. CMP has a specific public benefit purpose of creating a material positive impact on society and the environment. SEI is a California C corporation, a wholly owned subsidiary of CMP, which was created to originate and acquire social enterprise loans that may be considered non-charitable. MML is a Delaware limited liability company, which is the general partner of Mezzanine Fund, LP ("MFL"). MFL, a Delaware limited partnership, is an investment portfolio entity that was created to raise capital through the limited partners contributions in order to provide loans and equity investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: In accordance with Financial Accounting Standards Board Accounting Standards Codification (the "FASB ASC") Not-for-Profit Entities, these consolidated financial statements include the accounts of RSF, GCF, SIF, CAM LLC, SEI, CMP and MML (collectively, "RSF and affiliates"). RSF appoints the majority of the directors of GCF, SIF and CMP and has an economic interest in these entities. All significant intercompany transactions and accounts have been eliminated in the consolidation.

MML is the general partner of RSF MFL, however MML does not exercise significant influence over MFL. MML's interest in MFL is reflected as an investment in the accompanying consolidated financial statements.

Basis of Presentation: The consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting principles generally accepted in the United States of America require that RSF and affiliates report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets which represent the expendable resources that are available to support the operations of RSF and affiliates at management's discretion; temporarily restricted net assets which represent resources that are donor-restricted as to purpose or passage of time; and permanently restricted net assets which represent resources whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of RSF and affiliates. There were permanently restricted net assets amounting to $100,000 for the years 2017 and 2016.

Use of Estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant estimates include the allowance for loan losses and fair value measurement. Actual results could differ from those estimates.

Cash and Cash Equivalents: RSF and affiliates considers all highly-liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Money market accounts and certificates of deposit that are intended for long-term investment purposes are classified separately under investments.

Mission-Related Investments: Mission-related investments are investments in which RSF and affiliates intend to generate a social return as well as a financial return. Such investments are related to, and further RSF and affiliates' programmatic mission. See Note 4 – Investments.

Mission-Related Loans Receivable: These consist of mission-related loans made by RSF and affiliates to for-profit social enterprises and nonprofit organizations. The loans are generally collateralized by mortgages, business assets, guarantees and pledges from individuals, for-profit enterprises and nonprofit organizations. These loans are reported at their outstanding principal balances together with accrued interest and fees, net of any unamortized costs on originated loans. RSF and affiliates has the ability and intent to hold the loans for the foreseeable future. While the loans receivable are categorized by type for disclosure purposes, management believes that each category has a similar risk of repayment. See Note 3 – Loans Receivable, Net.

Allowance for loan losses –reflects management's best estimate of losses inherent in the loan portfolio. The allowance is increased by provisions for loan losses charged against earnings and reduced by charge-offs, net of recoveries.

Management has established a process to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in their portfolio, including adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and historical loss experience. Management also considers economic uncertainties and other subjective factors, including industry trends.

The overall allowance consists of:

1. Specific allowances for individually identified impaired loans ("ASC 310-10") and
2. General allowances for pools of loans ("ASC 450-20"), which incorporates quantitative (e.g. historical loan loss rates) and qualitative risk factors (e.g. portfolio growth and trends, credit concentrations, economic and regulatory factors, etc.).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management has an experienced team that works with borrowers to help them through financial challenges that could affect their ability to make loan payments. If the financial position of certain borrowers improves over time, it may be possible to recover part of the allowance for loan losses and take the recovered amount back into income.

Non-accrual loans – Generally, loans are placed on non-accrual status when one or more of the following occurs:

1. The scheduled loan payment becomes 90 days past due;
2. It becomes probable that the client cannot or will not make scheduled payments;
3. Full repayment of interest and principal is not expected; and
4. The loan displays potential loss characteristics.

When placed on non-accrual, RSF and affiliates reverses the recorded unpaid interest, and any subsequent payments shall be applied first to principal. Loans placed on non-accrual are generally deemed impaired.

Loans may be returned to accrual status when one or more of the following conditions have been met:

1. All payments (according to the original terms of the loan) are brought current;
2. A 6-month period of satisfactory payment history has been established; and
3. A current evaluation of the client indicates the ability to repay the loan according to the original terms.

All loans with a delinquent status of 90 days are classified as substandard and placed on non-accrual status.

Impaired loans – Impairment is considered to exist when it is probable that not all amounts will be collected due under the terms of the loan receivable. Factors considered by management in determining whether a loan is impaired include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

If management determines that the value of the impaired loan is less than the recorded investment in the loan, RSF and affiliates includes the impairment in the calculation of the overall allowance for loan losses.

Generally, a loan is charged off when it is deemed to be uncollectible. Collateral dependent loans are charged down to the fair value of the collateral and non-collateral dependent loans are charged down to the net realizable value.

Troubled Debt Restructuring ("TDR") – Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before it reaches nonaccrual status. A restructuring of a debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance, other actions designed to maximize collections.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Troubled debt restructurings are separately identified in impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, management determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

Investments: RSF and affiliates record investments with readily determinable fair values at their fair values in the accompanying consolidated statements of financial position. Stock gifts received from donors are recorded as gift income at the fair value of the stock gifts on the date of donation. Gains and losses and investment income derived from investments are accounted for as unrestricted, or temporarily restricted, if any, in the accompanying consolidated statements of activities.

RSF and affiliates valuation methodology may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar entities, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually.

Investments are reported at fair value based on quoted market price. Net appreciation (depreciation) in investments, including realized gains or losses and unrealized appreciation or depreciation on those investments, as well as all dividends, interest, and other investment income, is reported in the statements of activities. Investment income is reported as an increase in unrestricted or temporarily restricted net assets, depending on donor-imposed restrictions on the use of the income.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible changes in the values of investments will occur in the near term and such changes could materially affect total net assets and the amounts reported in the statements of financial position.

Investments Held at Cost: Investments held at cost represent warrants, notes and closely-held stock. RSF and Affiliates' related investments are held at cost. These investments are evaluated for impairment annually and written down when appropriate.

Prepaid Expenses: Any expenses paid prior to the related services rendered will be recorded as prepaid expenses. These prepaid expenses will be expensed once the service has been rendered or over the course of the contract period, such as for insurance policies.

Furniture and Equipment: Furniture and equipment in excess of $1,500 with a useful life in excess of one year are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to seven years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and Equipment (continued): RSF and affiliates regularly evaluates long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset's fair value or discounted estimates of future cash flows. RSF and affiliates has not identified any such impairment losses to date.

Notes Payable: Notes payable are liabilities consisting of both investor notes and another loan facility made to RSF and affiliates by individuals and organizations for specified periods, depending on the terms of the agreements with the other parties.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed below. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions and may include significant Management judgment and estimation.

RSF and affiliates used the following methods and significant assumptions to estimate fair value:

Impaired Loans– are recorded at the lower of cost or fair value and thus are subject to fair value adjustments on a non-recurring basis. The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals, less estimated selling costs, if the loan is collateral dependent. Generally, a 10% discount is used to estimate selling costs. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Gifts and Contributions – Gifts and contributions consist principally of donations from individuals and organizations.

Gifts and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Interest and Fee Income – Most of RSF and affiliates' income is derived from lending activities. Loans are generally offered at a base rate plus or minus a spread. The base rate charged on loans receivable is adjusted periodically in response to changing market and economic conditions among other factors. At December 31, 2017 and 2016, the base rate in place was 5.0% and 4.75%, respectively.

RSF and affiliates also generates one-time origination fees ranging from 0.50% to 2.00% of the loan balance on new loans and upon the extension of the maturity date of existing loans. Net loan origination fees and costs are amortized to interest income over the contractual life of the loan using the effective interest method.

Donated Services – RSF and affiliates generally pay for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist RSF and affiliates. The services of volunteers, while often significant in value, do not meet the criteria for financial statement recognition and, accordingly, are not presented in these accompanying consolidated financial statements.

Grants Made: Grant expense is recognized when the grants are approved by RSF and affiliates.

Functional Expense Allocation: The costs of RSF and affiliates' various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Expenses directly identifiable with programs are charged to program services. Supporting services include overhead expenses not directly identifiable with programs but which provide for overall support and direction of RSF and affiliates. There were no significant fundraising activities in 2017 or 2016.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk: Financial instruments, which potentially subject RSF and affiliates to concentration of credit risk, consist principally of cash and cash equivalents with high credit quality financial institutions, investments, and loans receivable. These instruments are also subject to other market risk conditions such as interest rate risk, equity market risks and their implied volatilities, mortgage risks and market liquidity and funding risks.

Cash and cash equivalents on deposit with financial institutions are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 for all interest and non-interest bearing cash accounts at all FDIC-insured financial institutions and/or by the Securities Investor Protection Corporation ("SIPC") as of December 31, 2017 and 2016. At various times during 2017 and 2016, RSF and affiliates had cash balances in excess of the insured limits. RSF and affiliates have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk to cash.

Income Taxes: RSF and affiliates (excluding SEI, CMP, CAM LLC and MML) are qualified organizations exempt from federal and California income taxes under, respectively, (i) Section 501(c)(3) of the Internal Revenue Code ("IRC") as an organization described under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC with respect to RSF and Section 509(a)(3) of the IRC with respect to SIF and GCF and (ii) Section 23701d of the California Revenue and Taxation Code.

SEI and CMP pay both federal and state income tax on its taxable income. Income taxes are provided for the tax effect of transactions reported in the accompanying consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial and income tax reporting purposes. The deferred tax assets and liabilities represent future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance is established against deferred tax assets if, in management's opinion, it is more likely than not that all or a portion of such deferred tax assets will not be fully realized.

CAM LLC and MML are limited liability companies and are not subject to income taxes. Federal and state income tax statutes require that the income or loss be included in the tax returns of the members. Each member is individually responsible for reporting income or loss, to the extent required by the federal and state income tax laws and regulations, based upon its respective share of the company's income and expense as reported for income tax purposes.

Accounting principles generally accepted in the United States of America prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that there are no tax benefits or liabilities to be recognized at December 31, 2017 and 2016.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued): RSF and affiliates would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. RSF and affiliates have no amounts accrued for interest or penalties for the years ended December 31, 2017 and 2016. RSF and affiliates do not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Reclassification: Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year changes in net assets and net assets.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers: Topic 606.* This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2017. This adoption of this standard is not expected to have a significant effect on RSF and affiliates' financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*: *Recognition and Measurement of Financial Assets and Liabilities*. This ASU, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in the change in net assets, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) requires an entity to present separately the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the statement of financial position or the accompanying notes to the financial statements and (v) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. ASU 2016-01 will be effective for SIF on January 1, 2018 and is not expected to have a significant impact on RSF and affiliates' consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires, among other things, lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained the current dual model whereby leases are classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. This is similar to the current income statement treatment for leases. ASU 2016-02 is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact of adopting this guidance on RSF and affiliates' consolidated financial statements.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements; (continued): In March 2016, the FASB issued ASU 2016-07, *"Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting."* ASU 2016-07 affects all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 simplifies the transition to the equity method of accounting by eliminating retroactive adjustment of the investment when an investment qualifies for use of the equity method, among other things. ASU 2016-07 became effective for RSF and affiliates on January 1, 2017 and did not have a significant impact on RSF and affiliates' consolidated financial statements.

In June 2016, FASB issued ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326)."* The ASU introduces guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. For debt securities with other-than-temporary impairment (OTTI), the guidance will be applied prospectively. Existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance. For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings as of the beginning of the first reporting period which the guidance is effective. The standard will be effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Management is currently evaluating the impact of this new accounting standard on the financial statements and believes its impact will increase the allowance for loan losses, but an estimate of the magnitude of such increase has not yet been determined.

In August, 2016, FASB issued ASU 2016-15, *"Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments."* ASU 2016-15 provides guidance related to certain cash flow issues in order to reduce the current and potential future diversity in practice. ASU 2016-15 will be effective for RSF and affiliates on January 1, 2018 and is not expected to have a significant impact on RSF and affiliates' consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*", which simplifies how a not-for-profit organization classifies net assets and presents information in financial statements, including notes about liquidity, financial performance, and cash flows. The purpose of the ASU is to improve presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users of the financial statements. The ASU is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted, but only for an annual fiscal period or for the first interim period within the year of adoption. Management plans to adopt this standard in 2018 and is currently evaluating the impact of adopting this guidance on RSF and affiliates' consolidated financial statements.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET

As of December 31, 2017 and 2016, RSF and affiliates' total loans receivable are summarized by loan category in the following table:

	2017	2016
Education and the arts	$ 70,687,280	$ 54,464,108
Food and agriculture	22,179,320	36,040,674
Ecological stewardship	14,889,788	9,006,359
Subtotal	107,756,388	99,511,141
Allowance for loan losses	(2,297,754)	(2,273,152)
	$ 105,458,634	$ 97,237,989

RSF and affiliates extend credit to organizations that are mission-related. Interest rates on newly originated loans range from 3.75% to 8% during 2017 and 2016. RSF and affiliates perform ongoing credit evaluations of their borrowers, maintaining allowances for potential credit losses, when appropriate.

For certain extensions of credit, RSF and affiliates may require collateral, based on their assessment of a borrower's credit risk. RSF and affiliates hold various types of collateral, including real estate, accounts receivable, inventory, equipment, guarantees and financial instruments. Collateral requirements for each borrower may vary according to the specific credit underwriting, terms and structure of loans funded immediately or under a commitment to fund at a later date.

Certain commitments are subject to loan agreements with covenants regarding the financial performance of the borrower or borrowing base formulas that must be met before RSF and affiliates are required to fund the commitment. RSF and affiliates use the same credit policies in extending credit for unfunded commitments in funding loans. In addition, RSF and affiliates manage the potential risk in credit commitments by limiting the total amount of arrangements, both by organizations and/or affiliates, by monitoring the size and maturity structure of these loans and by applying the same credit standards for all loan activities. Although RSF and affiliates believe the related collateral to be adequate, there is no assurance that the underlying assets have sufficient value to fully collateralize the outstanding balances. As of December 31, 2017 and 2016, the contractual amount of the unfunded credit commitments was approximately $23,796,000 and $15,628,000, respectively.

Investors have the option to enter into a limited guarantee agreement with RSF and affiliates whereby the investor noteholder pledges their investor note to cover potential loan losses in the portfolio. In 2017 and 2016, RSF and affiliates had in place approximately $3,350,000 and $3,020,000, respectively, in limited guarantees from investors to provide for additional coverage for possible loan losses.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

Below is an analysis of the allowance for loan losses for the years ended December 31, 2017 and 2016:

	2017	2016
Balance at beginning of year	$ 2,273,152	$ 2,253,377
Provision for loan losses	65,000	399,848
Charge-offs	(40,398)	(380,073)
Balance at end of year	$ 2,297,754	$ 2,273,152
Allowance for loan losses individually evaluated for impairment	$ 362,620	$ 855,398
Allowance for loan losses collectively evaluated for impairment	$ 1,935,134	$ 1,417,754

As of December 31, 2017 and 2016, the allowance for loan losses associated with the following loans is estimated on an individually evaluated basis. The tables below summarize key information for all impaired loans. The recorded investment in impaired loans includes accrued interest, deferred fees and deferred costs. Interest income recognized on a cash basis was not considered significant for separate disclosure.

	2017				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Education and the arts	$ 4,272,387	$ 4,267,846	$ -	$ 3,257,418	$ 437,061
Food and agriculture	-	-	-	709,927	74,559
Ecological stewardship	471,840	521,794	-	590,658	-
Subtotal	4,744,227	4,789,640	-	4,558,003	511,620
With an allowance recorded:					
Education and the arts	1,477,478	1,533,938	225,616	2,586,583	-
Food and agriculture	551,458	1,153,456	137,004	97,976	-
Ecological stewardship	-	-	-	-	-
Subtotal	2,028,936	2,687,394	362,620	2,684,559	-
Total	$ 6,773,163	$ 7,477,034	$ 362,620	$ 7,242,562	$ 511,620

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

	2016				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Education and the arts	$ 3,273,605	$ 3,257,598	$ -	$ -	$ 158,672
Food and agriculture	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
Subtotal	3,273,605	3,257,598	-	-	158,672
With an allowance recorded:					
Education and the arts	3,150,488	3,136,216	476,308	3,414,642	-
Food and agriculture	548,632	545,038	164,590	274,316	36,474
Ecological stewardship	2,155,486	2,133,910	214,500	1,512,292	74,944
Subtotal	5,854,606	5,815,164	855,398	5,201,250	111,418
Total	$ 9,128,211	$ 9,072,762	$ 855,398	$ 5,201,250	$ 270,090

Impaired loans are recorded at the lower of cost or fair value. The table below presents the balances of impaired loans measured at fair value on a non-recurring basis at December 31, 2017 and 2016.

2017	Total	Level 1	Level 2	Level 3
Education and the arts	$ 2,069,085	$ -	$ -	$ 2,069,085
2016				
Education and the arts	$ 1,933,914	$ -	$ -	$ 1,933,914

The following table presents loans by class, modified as troubled debt restructurings that occurred during the years ended December 31, 2017 and 2016:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2017			
Education and the arts	1	$ 1,332,035	$ 1,332,035
Ecological stewardship	-	-	-
Food and agriculture	-	-	-

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2016			
Education and the arts	1	$ 339,473	$ 339,473
Ecological stewardship	1	$ 475,212	$ 475,212
Food and agriculture	1	$ 100,515	$ 100,515

The modifications of loan terms during the years ended December 31, 2017 and 2016 included lowering principal and interest payments and payment deferrals.

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ended December 31, 2017 and 2016.

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. The concentration of loans to Waldorf and charter schools was approximately 25% and 24% at December 31, 2017 and 2016, respectively. Based on current economic conditions, schools may be subject to a drop in tuition revenue and/or state funding. RSF and affiliates monitor the underlying economic or market conditions for these areas within their credit risk management process, including schools' financial health by reviewing reports submitted by the schools as required by their loan covenants, conducting site visits and staying in regular contact with the school administrators.

Management assesses the credit quality of its loans with a risk rating system, where loans are classified in the following categories: pass, watch, special mention, substandard, doubtful and loss. The risk ratings reflect the relative strength of the sources of repayment.

Pass– These loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. These borrowers may have some credit risk that requires monitoring, but full repayment is expected.

Watch or Special mention – These loans are considered to have potential weaknesses that warrant close attention by management. Special mention may be a transitory grade and could include modified loans which are performing but retain this rating beyond six months. If any potential weaknesses are resolved, the loan is upgraded to a pass or watch grade. If negative trends in the borrower's financial status or other information is presented indicating that the repayment sources may become inadequate, the loan is downgraded to substandard.

Substandard – The loans are considered to have well-defined weaknesses that jeopardize the full and timely repayment of the loan. Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Additionally, when management has assessed a potential for loss but a distinct possibility of loss is not recognizable, the loan is still classified as substandard.

Doubtful – These loans have insufficient sources of repayment and a high probability of loss.

Loss – These loans are considered to be uncollectible and are, therefore, charged off.

These internal risk ratings are reviewed continuously and adjusted for changes in borrower status and the likelihood of loan repayment.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2017 and 2016:

	Credit Risk Profile by Internally Assigned Grade			
	Education and the Arts	Food and Agriculture	Ecological Stewardship	Total
2017				
Grade:				
Pass	$57,616,166	$ 20,193,197	$ 14,417,948	$ 92,227,311
Watch list/special mention	6,769,793	1,259,191	-	8,028,984
Substandard	6,301,321	726,932	471,840	7,500,093
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	$ 70,687,280	$ 22,179,320	$ 14,889,788	$ 107,756,388
2016				
Grade:				
Pass	$ 47,957,015	$ 33,571,562	$ 5,943,317	$ 87,471,894
Watch list/special mention	83,000	1,435,589	1,162	1,519,751
Substandard/doubtful	6,424,093	1,033,523	3,061,880	10,519,496
Loss	-	-	-	-
Total	$ 54,464,108	$ 36,040,674	$ 9,006,359	$ 99,511,141

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2017 and 2016:

	30-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2017						
Education and the arts	$ -	$ -	$ 4,272,387	$ 4,272,387	$ 66,414,893	$ 70,687,280
Food and agriculture	-	-	185,142	185,142	21,994,178	22,179,320
Ecological stewardship	-	-	471,840	471,840	14,417,948	14,889,788
Total	$ -	$ -	$ 4,929,369	$ 4,929,369	$ 102,827,019	$ 107,756,388
2016						
Education and the arts	$ -	$ -	$ 2,769,649	$ 2,769,649	$ 51,694,459	$ 54,464,108
Food and agriculture	-	-	-	-	36,040,674	36,040,674
Ecological stewardship	-	-	761,958	761,958	8,244,401	9,006,359
Total	$ -	$ -	$ 3,531,607	$ 3,531,607	$ 95,979,534	$ 99,511,141

(Continued)

NOTE 4 - INVESTMENTS

Fair value, cost and unrealized gains (losses) as of December 31, 2017 and 2016 were as follows:

	2017		
	Fair Value	Cost	Unrealized Gain (Loss)
Cash and cash equivalents	$ 35,357,808	$ 35,357,808	$ -
Corporate securities	6,603,209	7,029,509	(426,300)
Government securities	74,226	74,285	(59)
Solar City Liquidity Fund	3,078,542	3,000,000	78,542
Solar City Bonds	4,045,333	4,000,000	45,333
Investment in Notes	1,003,125	1,000,000	3,125
Investments, held at net asset value			
Private Debt Funds	11,571,173	12,245,287	(674,114)
Private Equity Funds	3,743,905	4,002,266	(258,361)
Real Estate Investment Funds	543,738	600,619	(56,881)
	$ 66,021,059	$ 67,309,774	$ (1,288,715)

	2016		
	Fair Value	Cost	Unrealized Gain (Loss)
Cash and cash equivalents	$ 52,815,218	$ 52,815,218	$ -
Corporate securities	6,814,226	6,292,264	521,962
Government securities	74,655	80,698	(6,043)
Solar City Bonds	7,073,667	7,000,000	73,667
Investments, held at net asset value			
Warrants	6,887	-	6,887
Hedge Funds	135,575	771,123	(635,548)
Private Equity Funds	4,821,889	4,401,390	420,499
Private Debt Funds	1,700,120	1,748,572	(48,452)
Real Estate Investment Funds	188,950	445,970	(257,020)
	$ 73,631,187	$ 73,555,235	$ 75,952

(Continued)

NOTE 4 – INVESTMENTS (Continued)

RSF and affiliates manage their mission related investments, excluding loans receivable, according to the RSF Global Investment Policy Statement. This policy establishes the overall investment objectives, social impact goals, and asset allocation and diversification parameters, due diligence requirements, performance management and policy compliance management.

The tables below present the balances of assets measured at fair value at December 31, 2017 and 2016 on a recurring basis.

	2017				
	Total	Level 1	Level 2	Level 3	Net Asset Value[1]
Cash equivalents	$ 35,357,808	$ 35,357,808	$ -	$ -	$ -
Corporate Securities	6,603,209	4,008,060	-	2,595,149	-
Government Securities	74,226	74,226	-	-	-
Solar City Liquidity Fund	3,078,542	3,078,542	-	-	-
Solar City Bonds	4,045,333	-	4,045,333		
Investment in notes	1,003,125	-	1,003,125	-	
Investments, held at net asset value					
Private Debt Funds	11,571,173	-	-	-	11,571,173
Private Equity Funds	3,743,905	-	-	-	3,743,905
Real Estate Investment Funds	543,738	-	-	-	543,738
	$ 66,021,059	$ 42,518,636	$ 5,048,458	$ 2,595,149	$15,858,816

	2016				
	Total	Level 1	Level 2	Level 3	Net Asset Value[1]
Cash equivalents	$ 52,815,218	$ 52,815,218	$ -	$ -	$ -
Corporate Securities	6,814,226	4,813,933	-	2,000,293	-
Government Securities	74,655	74,655	-	-	-
Solar City Bonds	7,073,667	-	7,073,667		
Investments, held at net asset value					
Warrants	6,887				6,887
Hedge Funds	135,575	-	-	-	135,575
Private Equity Funds	4,821,889	-	-	-	4,821,889
Private Debt Funds	1,700,120	-	-	-	1,700,120
Real Estate Investment Funds	188,950	-	-	-	188,950
	$ 73,631,187	$ 57,703,806	$ 7,073,667	$ 2,000,293	$ 6,853,421

[1] Investments using Net Asset Value (NAV) as a fair value expedient are not included in the fair value hierarchy pursuant to the adoption of ASU 2015-07, *Fair Value Measurement.*

There were no transfers between Level 2 and Level 3 during 2017 and 2016.

(Continued)

NOTE 4 – INVESTMENTS (Continued)

Investments, held at net asset value are primarily comprised of investments in funds and limited partnerships. Fair value associated with these investments has been based on information provided by the individual fund managers. RSF and affiliates used the net asset value per share (or its equivalent) to estimate the fair value of these alternative investments.

There were unfunded commitments in private equity funds amounting to $720,000 and $1,200,000 as of December 31, 2017 and 2016, respectively.

Funds – RSF and affiliates invests in three categories of funds. The first category consists of diversified multi-asset funds. These funds invest in U.S. and non-U.S debt instruments of privately held companies. Ninety percent of these positions have monthly liquidity with a thirty-day redemption notice period required. The second category is a diversified group of select, primarily domestic, private equity limited partnerships. The third category consists of a diversified group of real estate investments. The second and third categories of investments are not generally eligible for redemption. Funds are valued based on the net asset value reported by the fund manager as a practical expedient.

RSF and affiliates endeavors to ensure that the fair values of the financial instruments reported in the consolidated financial statements are appropriate and determined on a reasonable basis.

While RSF and affiliates believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets existed, or had such assets been liquidated, and these differences could be material to the financial statements.

For other investments for which there is no active market, generally referred to as “alternative investments”, fair values are initially based on valuations determined by using audited net asset values (“NAV”) as of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through year end.

The following summarizes the valuation methodologies and significant quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of December 31, 2017 and 2016:

RSF and affiliates’ valuation of Sustainable Produce Urban Delivery Inc. (SPUD) common stock, included in corporate securities, used the market approach method which derives fair value by reference to observable valuation measures for comparable companies or assets such as performance metrics and last round of financing subject to a 30-40% liquidity discount. The fair value of SPUD common stock at December 31, 2017 and 2016 was $2,595,149 and $2,000,293, respectively.

The investment objective of the Level 3 investments is to seek returns from socially responsible companies and allow for the investor to exit at the opportune time. These funds include direct equity, and real estate and are intended to diversify the investment portfolio. There are no unfunded commitments in Level 3 investments as of December 31, 2017 or 2016.

(Continued)

NOTE 4 – INVESTMENTS (Continued)

The following table is a roll forward of those investment assets classified as Level 3 as of December 31, 2017 and 2016:

	Corporate Securities
Beginning balance January 1, 2016	$ 2,152,122
Unrealized loss	(151,829)
Ending balance December 31, 2016	2,000,293
Sold	(61,399)
Realized Gain	102,870
Unrealized gain	553,385
Ending balance December 31, 2017	$ 2,595,149

NOTE 5 - FURNITURE AND EQUIPMENT

Furniture and equipment, included in prepaid expenses and other assets, consist of the following as of December 31:

	2017	2016
Computer equipment and software	$ 852,992	$ 733,059
Furniture and fixtures	210,922	210,922
Office equipment	91,443	91,443
	1,155,357	1,035,424
Less: accumulated depreciation and amortization	(846,803)	(741,796)
	$ 308,554	$ 293,629

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was $105,007 and $63,300, respectively.

(Continued)

NOTE 6 - NOTES PAYABLE

Investor Notes Payable: Investor notes payable consist of funds received by RSF and its affiliates from individuals, organizations and/or corporations that would like to support mission related projects.

Investor notes payable are carried at historical cost, which includes the total value of the principal investments plus accrued interest. Under the FASB ASC on Financial Instruments, the fair value of these notes is equal to the amount payable on demand at the measurement date.

At December 31, 2017 and 2016, RSF and its affiliates had investor notes payable totaling $119,771,474 and $112,518,335, respectively, with effective interest rates of 0.75% and 0.50% respectively. Upon renewal, the principal amount of the note will include any elected reinvested quarterly interest.

Investor notes payable have a three-month renewable term and upon maturity these notes automatically renew unless RSF and its affiliates receive a request from the investors for repayment before the maturity date. RSF and its affiliates' management observes that the average term of an active investor is 8.7 years and that over the past three years only an average of 10% of total investor notes payable have been withdrawn annually by investors.

In the event that requests for note repayments are in excess of management's expectations, management is able to fund these requests by utilizing available cash and cash equivalents, proceeds from selling investments, and through additional borrowings available from RSF and its affiliates.

Other notes payable: During the year ended December 31, 2016, RSF and its affiliates entered into a note payable agreement with an unrelated party. At December 31, 2017 and 2016, the balance of this note payable was $6,001,532 and $6,005,574, respectively, and bears interest at 2.00% per annum, and is scheduled to mature in December 2021.

(Continued)

NOTE 7 - INCOME TAXES

Income taxes pertaining to SEI and CMP are provided for the tax effects of transactions reported in the accompanying consolidated financial statements, and consist of taxes currently due plus or minus deferred taxes. Deferred taxes relate primarily to temporary differences in loan losses, unrealized gains and losses, depreciation and amortization, certain accrued expenses and net operating loss carryforwards. The deferred taxes represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The provision for (benefit from) income taxes consisted of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Current:		
Federal	$ 21,780	$ -
State	14,435	2,400
Total current tax provision	36,215	2,400
Deferred:		
Federal	(72,201)	(109,000)
State	(47,844)	(69,000)
Total deferred tax benefit	(120,045)	(178,000)
Change in valuation allowance	120,045	178,000
Provision for income taxes	$ 36,215	$ 2,400

Deferred tax assets (liabilities) are comprised of the following at December 31, 2017 and 2016:

	2017	2016
Deferred tax assets:		
Net operating losses	$ 1,065,000	$ 975,000
Unrealized loss on investments	(116,000)	143,000
Allowance for loan losses	222,000	208,000
Gross deferred tax assets	1,171,000	1,326,000
Valuation allowance	(1,051,000)	(1,299,000)
Total deferred tax assets	120,000	27,000
Deferred tax liabilities	(120,000)	(27,000)
Total deferred tax assets	$ -	$ -

(Continued)

NOTE 7 - INCOME TAXES (Continued)

At December 31, 2017 and 2016, CMP had approximately $4,731,640 and $4,327,000 of federal net operating loss carryforwards, respectively. At December 31, 2017 and 2016, CMP had approximately $4,725,686 and $4,331,000 of state net operating loss carryforwards, respectively. These federal and state net operating loss carryforwards expire beginning in 2028.

Certain activities not directly related to RSF, GCF and SIF's tax-exempt purposes are treated as unrelated business income, subject to federal and California corporate income taxes. For the years ended December 31, 2017 and 2016, federal and state income taxes on unrelated business income were not material.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Contributions received by RSF and affiliates with temporary restrictions are related to donor imposed time or purpose restrictions.

As of December 31, 2017, temporarily restricted net assets consist of the following:

Donor restricted funds for RSF Shared Risk Program	$ 50,000

As of December 31, 2016, temporarily restricted net assets consist of the following:

Donor restricted funds for RSF Shared Risk Program	$ 50,000
Donor restricted funds for Money to Transform Initiative Program	$ 250,000

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Assets which have been temporarily restricted are released from their restrictions once the time or purpose restriction is satisfied as specified by the donor.

Temporarily restricted assets transferred to unrestricted funds for the year ended December 31, 2017 are as follows:

Donor restricted funds for Money to Transform Initiative Program	$ 250,000

There were no temporarily restricted assets transferred to unrestricted for the year ended December 31, 2016.

(Continued)

NOTE 10 - COMMITMENTS

As of December 31, 2017, RSF and affiliates have the following commitments:

Lease: RSF and affiliates lease their office facility in San Francisco, California under a non-cancelable operating lease through May 2021. The operating lease requires minimum monthly rental payments of $31,491 subject to annual increases based on defined increases in the Department of Labor's Bureau of Labor Statistics Consumer Price Index. In addition to minimum rental payments, the lease agreement provides for percentage rents based on tenant operating expenses exceeding stated amounts.

Rent expense under the operating lease totaled approximately $385,000 and $373,000 for the years ended December 31, 2017 and 2016, respectively.

The future minimum payments for the operating lease are as follows:

Years Ending December 31,	
2018	397,761
2019	410,824
2020	424,346
2021	107,513
	$ 1,340,444

Line of Credit: CAM LLC entered into a discretionary line of credit agreement with a financial institution for borrowings up to $15,000,000 and secured by the investments of CAM LLC. Borrowings against this line of credit bear interest at one month LIBOR plus 1.00%. Borrowings are limited to the short-term financing needs of RSF and affiliates' projects. The line of credit agreement matured July 2016 and therefore there were no outstanding balances on the line of credit as of December 31, 2017 and 2016. Also, there was no interest expense paid under this line of credit for the years ended December 31, 2017 and 2016.

In February 2017, RSF entered into a line of credit agreement for borrowings of up to $2,000,000, secured by a money market account held by RSF. Borrowings against this line of credit bear interest at a fixed rate of 2.75%. Interest paid on the line of credit totaled $30,381 for the year ended December 31, 2017. This line was paid in full and closed during the fourth quarter of 2017.

In August 2017, RSF entered into a line of credit agreement for borrowings of up to $12,000,000, secured by a money market account held by RSF. Borrowings against this line of credit bear interest at a variable rate of U.S. Prime rate minus 1.00% with a floor of 3.25%. No amounts were drawn on the line during 2017 and therefore no interest was paid on the line of credit for the year ended December 31, 2017.

NOTE 11 - RELATED PARTY TRANSACTIONS

Investments: RSF and affiliates' investments consist of investments of which certain members of the Board of Trustees are either board members of these companies and/or serve in an advisory capacity for certain members of the limited liability companies/nonprofit organizations.

Cash and Cash Equivalents: RSF and affiliates have accounts with New Resource Bank (NRB). Mark Finser, RSF Board Chair, is a founder and chairman of NRB. The balances of the accounts were $3,872,595 and $6,457,000 at December 31, 2017 and 2016, respectively.

(Continued)

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

Investors Notes Payable: Investor notes payable includes approximately $375,000 and $490,000 owed to Trustees and employees for the years ended December 31, 2017 and 2016, respectively.

Note Receivable: On June 3, 2015, CMP entered into a Split-Dollar Loan Agreement (the "Loan Agreement") with one of its key employees ("Employee") pursuant to which CMP agreed to make seven interest-bearing, non-recourse $200,000 loans ("Split Dollar Loans") to Employee over seven years. $200,000 was funded in each year beginning in 2015. The interest rate on the first Split Dollar Loan is 2.5% and the interest rate on the remaining split dollar loans are set at the Applicable Federal Rate per Treas. Reg. Section 1.7872-15(e)(4)(ii) on the date such Split Dollar Loans are funded. Accordingly, the first Split Dollar Loan was made to Employee on June 3, 2015, and subsequent Split Dollar Loans will be made on or about May 12th of each year up to and including May 12, 2021, for a total of $1,400,000 in Split Dollar Loans over the life of the arrangement. Each Split Dollar Loan is (1) made in the form of a premium payment to John Hancock Life Insurance Company to fund a life insurance policy (the "Policy") with a face amount of $2,981,078 on the life of Employee and (2) evidenced by a Promissory Note for Split Dollar Loan executed by Employee in favor of CMP. The Split Dollar Loans fund all of the planned premiums for the Policy and are secured by a Collateral Assignment of Life Insurance Policy pursuant to which Employee assigned CMP an interest on the Policy, which provides that in the event of the death of Employee, the termination or surrender of the Policy, or the termination of the Loan Agreement, CMP is entitled to receive from the proceeds of the Policy the cumulative balance of principal and interest then owing on the Split Dollar Loans. The Loan Agreement is structured as non-recourse in that should the Split Dollar Loans' aggregate principal and interest balance exceed the proceeds from death benefit, surrender or other settlement of the Policy, Employee would not be obligated to repay CMP for the excess. Therefore, the asset carried by CMP is limited to the cash surrender value of the Policy, which was $523,125 and $323,125 as of December 31, 2017 and 2016, respectively, and is included in prepaid expense and other assets on the consolidated statements of financial position.

NOTE 12 - RETIREMENT PLAN

RSF and affiliates have established a defined contribution plan and a retirement annuity money purchase plan covering all RSF and affiliates' full-time employees. RSF and affiliates' contribution to the Plan is limited to 3% of the employees' salaries for each of the years ended December 31, 2017 and 2016. For the years ended December 31, 2017 and 2016, RSF and affiliates contributed approximately $37,000 and $92,000, respectively, to the retirement plan.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. RSF and affiliates recognize in the consolidated financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

Effective January 1, 2018, SEI, an entity under the common control of RSF, transferred all of its assets and liabilities to SIF, also under the common control of RSF. SEI is a California C corporation, which was created to originate and acquire social enterprise loans that may be considered non-charitable. SIF is a California nonprofit public benefit corporation established for the special and exclusive purpose of supporting financial and charitable activities of RSF.

(Continued)

NOTE 13 - SUBSEQUENT EVENTS (Continued)

The Board of Directors approved that CAM LLC, another entity under the common control of RSF, transfer all of its assets and liabilities to RSF. CAM LLC, a California limited liability company, is an investment portfolio entity that was created by RSF to consolidate the investments of RSF and its affiliates relative to their philanthropic services activities.

In accordance with FASB ASC 805, the assets and liabilities, to be transferred in 2018, are to be measured and recognized at their carrying values.

RSF and affiliates have evaluated subsequent events through June 29, 2018, the date the consolidated financial statements were available to be issued, and have determined that there are no subsequent events that require additional disclosure.

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