RSF SOCIAL INVESTMENT FUND, INC.
(An affiliate of Rudolf Steiner Foundation, Inc.,
dba RSF Social Finance)

FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

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TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS 1

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION 3

STATEMENTS OF ACTIVITIES 4

STATEMENTS OF CASH FLOWS 5

NOTES TO FINANCIAL STATEMENTS 6

MOSSADAMS

Report of Independent Auditors

The Board of Directors
RSF Social Investment Fund, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of RSF Social Investment Fund, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RSF Social Investment Fund, Inc. 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 financial statements of RSF Social Investment Fund, Inc. as of and for the years ended December 31, 2016 and 2015, were audited by other auditors whose report thereon dated April 28, 2017, expressed an unmodified opinion.

Moss Adams LLP

San Francisco, California
April 24, 2018

RSF SOCIAL INVESTMENT FUND, INC.
(An Affiliate of Rudolf Steiner Foundation, Inc., dba RSF Social Finance)
STATEMENTS OF FINANCIAL POSITION
December 31, 2017, 2016, and 2015

	2017	2016	2015
ASSETS			
Cash and cash equivalents	$ 7,781,860	$ 10,254,506	$ 23,735,025
Mission related loans and investments:			
Loans receivable, net of allowance for loan losses of $1,289,816, $1,330,214 and $1,381,426 as of December 31, 2017, 2016 and 2015, respectively	65,389,437	58,112,938	53,865,512
Investments, at fair value	4,209,771	4,242,643	6,622,571
Advances to related parties, net	22,210,722	16,916,355	4,016,756
Note receivable due from related party	38,295,957	36,780,293	25,962,066
Total assets	$ 137,887,747	$ 126,306,735	$ 114,201,930
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 54,286	$ 40,375	$ 28,501
Investor notes payable	120,408,576	110,585,181	105,308,652
Other notes payable	6,001,532	6,005,574	-
Total liabilities	126,464,394	116,631,130	105,337,153
Unrestricted net assets	11,423,353	9,675,605	8,864,777
Total liabilities and net assets	$ 137,887,747	$ 126,306,735	$ 114,201,930

See accompanying notes to financial statements.

RSF SOCIAL INVESTMENT FUND, INC.
(An Affiliate of Rudolf Steiner Foundation, Inc., dba RSF Social Finance)
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Unrestricted revenues, gains and other support:			
Net interest, fees, and investment income			
Interest and fees - loans receivable	$ 3,264,821	$ 3,152,328	$ 2,664,150
Interest - related party notes receivable	1,380,871	1,037,093	869,112
Investment income, net	21,348	51,504	233,119
Net interest, fees, and investment income	4,667,040	4,240,925	3,766,381
Gifts and contributions	3	20,071	165,581
Total unrestricted revenues, gains and other support	4,667,043	4,260,996	3,931,962
Expenses:			
Program services:			
Interest expense – investor notes payable	986,548	590,693	498,788
Loan loss (reversal) provision	-	-	(530,000)
Personnel costs	1,388,217	2,149,914	2,078,162
Grants	-	-	10,044
Total program services	2,374,765	2,740,607	2,056,994
Supporting services:			
Management and general expenses	544,530	709,561	2,116,584
Total expenses	2,919,295	3,450,168	4,173,578
Change in unrestricted net assets	1,747,748	810,828	(241,616)
Unrestricted net assets at beginning of year	9,675,605	8,864,777	9,106,393
Unrestricted net assets at end of year	$ 11,423,353	$ 9,675,605	$ 8,864,777

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Cash flows from operating activities			
Change in unrestricted net assets	$ 1,747,748	$ 810,828	$ (241,616)
Adjustment to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities			
(Reversal of) provision for loan loss reserve	-	-	(530,000)
Unrealized loss (gain) on investments	32,871	379,928	(170,008)
Changes in operating assets and liabilities:			
Accounts payable and accrued expenses	13,911	11,874	719
Net cash provided by (used in) operating activities	1,794,530	1,202,630	(940,905)
Cash flows from investing activities			
Net loan (originations) principal collections	(7,276,499)	(4,247,426)	1,700,165
Purchase of investments	-	-	(2,000,000)
Proceeds from sale of investment	-	2,000,000	330,000
Net issuance of (collections on) notes receivable-related party	(1,515,663)	(10,818,227)	4,041,964
(Advances to) collections from related parties	(5,294,367)	(12,899,599)	2,413,315
Net cash (used in) provided by investing activities	(14,086,529)	(25,965,252)	6,485,444
Cash flows from financing activities			
Net proceeds from (payments on) investor notes payable	9,823,395	5,276,529	(3,626,715)
Payments on other notes payable	(4,042)	-	-
Proceeds from other notes payable	-	6,005,574	-
Net cash provided by (used in) financing activities	9,819,353	11,282,103	(3,626,715)
Net (decrease) increase in cash and cash equivalents	(2,472,646)	(13,480,519)	1,917,824
Cash and cash equivalents at beginning of year	10,254,506	23,735,025	21,817,201
Cash and cash equivalents at end of year	$ 7,781,860	$ 10,254,506	$ 23,735,025

Supplemental Disclosures of Cash Flow Information

	2017	2016	2015
Interest paid during the year	$ 865,416	$ 537,937	$ 423,514

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

RSF Social Investment Fund, Inc. ("SIF") was incorporated in July 2000 and started doing business on April 27, 2004 as a nonprofit public benefit organization. SIF was created as an affiliate of Rudolf Steiner Foundation, Inc., dba RSF Social Finance ("RSF") with two primary objectives: to fund loans to nonprofit organizations and make mission-related investments. SIF supports RSF's charitable mission by providing a way for investors to use money to integrate their values with practical objectives. SIF intends to use investor funds to make loans to a broad range of mission-related projects in the fields of sustainable agriculture, education and the arts, and ecological stewardship.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting principles generally accepted in the United States of America require that SIF reports information regarding its 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 SIF 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 SIF. There were no temporary or permanently restricted net assets as of December 31, 2017, 2016, and 2015.

Use of Estimates: In preparing 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 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: SIF considers all highly-liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

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

Mission-Related Loans Receivable: These consist of mission-related loans made by SIF to nonprofit organizations. The loans are generally collateralized by mortgages, business assets, guarantees and pledges from individuals 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. SIF has the ability and intent to hold the loans for the foreseeable future. While 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.).

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, SIF 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, SIF 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.

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: SIF holds an investment in an affiliated entity, RSF Charitable Asset Management, LLC (CAM LLC), which is carried at net asset value in these financial statements, based on the respective investment in the entity. The underlying investments of CAM LLC are a combination of liquid cash and investments measured at fair value.

CAM LLC records investments with readily determinable fair values at their fair values. 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, temporarily restricted, or permanently restricted based on restrictions, if any, in the accompanying statements of activities.

The fair value of the underlying investments is evaluated by SIF to determine if the value should be adjusted. Factors considered 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 using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement 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.

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

Fair Value Measurements: 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 are 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.

SIF 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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments – SIF holds an investment in an affiliated entity, CAM, LLC, which is carried at net asset value in these financial statements, based on the respective investment in the entity (Level 2). The underlying investments of CAM LLC are a combination of liquid cash and investments measured at fair value.

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 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 statements of activities as net assets released from restrictions.

Interest and Fee Income – Most of SIF's 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, 2016 and 2015, the base rate in place was 5.0%, 4.75% and 4.5%, respectively.

SIF 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 – SIF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist SIF. 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 financial statements.

Functional Expense Allocation: The costs of SIF's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. 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 SIF.

Concentration of Credit Risk: Financial instruments, which potentially subject SIF 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, and 2015. At various times during the years 2017, 2016, and 2015, SIF had cash balances in excess of the insured limits. SIF has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk to cash.

Income Taxes: SIF is a qualified organization exempt from federal and California income taxes as an organization described under the provisions of Internal Revenue Code ("IRC") Sections 501(c)(3) and 509(a)(3) and Section 23701d of the California Revenue and Taxation Code.

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, 2016, and 2015.

SIF would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. SIF has no amounts accrued for interest or penalties for the years ended December 31, 2017, 2016, and 2015. SIF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year change in net assets or net assets.

Recent Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 SIF's 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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 SIF's 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 SIF's financial statements.

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 SIF on January 1, 2017 and did not have a significant impact on SIF's 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 SIF on January 1, 2018 and is not expected to have a significant impact on SIF's 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 SIF's financial statements.

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NOTE 3 - LOANS RECEIVABLE, NET

As of December 31, 2017, 2016, and 2015, SIF's total loan receivable are summarized by loan category in the following table:

	2017	2016	2015
Education and the arts	$ 45,107,435	$ 47,236,970	$ 45,688,837
Food and agriculture	8,679,988	6,885,030	4,810,176
Ecological stewardship	12,891,830	5,321,152	4,747,925
Subtotal	66,679,253	59,443,152	55,246,938
Allowance for loan losses	(1,289,816)	(1,330,214)	(1,381,426)
	$ 65,389,437	$ 58,112,938	$ 53,865,512

SIF extends credit to organizations that are mission-related. Interest rates offered on newly originated loans ranged from 3.75% to 8.00% during 2017 and 2016, and from 3.25% to 6.50% during 2015. SIF performs ongoing credit evaluations of their borrowers, maintaining allowances for potential credit losses, when appropriate.

For certain extensions of credit, SIF may require collateral, based on their assessment of a borrower's credit risk. SIF holds 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 SIF is required to fund the commitment. SIF uses the same credit policies in extending credit for unfunded commitments in funding loans. In addition, SIF manages 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 SIF believes 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, 2016 and 2015, the contractual amount of the unfunded credit commitments is approximately $11,171,000, $7,336,000, and $7,552,000, respectively.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

Investors have the option to enter into a limited guarantee agreement with SIF whereby the investor noteholder pledges their investor note to cover potential loan losses in the SIF portfolio. In 2017, 2016, and 2015, SIF had in place approximately $2,635,000, $2,675,000 and $2,650,000, respectively, in limited guarantees from investors to provide for additional coverage for possible loan losses.

Below is an analysis of the allowance for loan losses for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Balance at beginning of year	$ 1,330,214	$ 1,381,426	$ 1,911,426
(Reversal of) provision for loan losses	-	-	(530,000)
Charge-offs	(40,398)	(51,212)	-
Balance at end of year	$ 1,289,816	$ 1,330,214	$ 1,381,426
Allowance for loan losses individually evaluated for impairment	$ 225,616	$ 598,976	$ 1,095,154
Allowance for loan losses collectively evaluated for impairment	$ 1,064,200	$ 731,238	$ 286,272

As of December 31, 2017, 2016 and 2015, 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	Recognized Interest Income
With no related allowance recorded:					
Education and the arts	$ 4,272,387	$ 4,267,846	$ -	$ 3,257,418	$ 437,061
Food and agriculture	-	-	-	-	-
Ecological stewardship	471,840	521,794	-	590,658	-
Subtotal	4,744,227	4,789,640	-	3,848,076	437,061
With an allowance recorded:					
Education and the arts	1,477,478	1,533,938	225,616	1,955,435	-
Food and agriculture	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
Subtotal	1,477,478	1,533,938	225,616	1,955,435	-
Total	$ 6,221,705	$ 6,323,578	$ 225,616	$ 5,803,511	$ 437,061

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

	2016				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Recognized Interest Income
With no related allowance recorded:					
Education and the arts	$ 3,273,605	$ 3,257,598	$ -	$ 2,750,580	$ 158,672
Food and agriculture	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
Subtotal	3,273,605	3,257,598	-	2,750,580	158,672
With an allowance recorded:					
Education and the arts	3,150,488	3,136,216	476,308	3,414,642	-
Food and agriculture	-	-	-	-	-
Ecological stewardship	602,457	602,457	122,668	560,836	-
Subtotal	3,752,945	3,738,673	598,976	3,975,478	-
Total	$ 7,026,550	$ 6,996,271	$ 598,976	$ 6,726,058	$ 158,672

	2015				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Recognized Interest Income
With no related allowance recorded:					
Education and the arts	$ 227,533	$ 227,171	$ -	$ 240,035	$ 8,620
Food and agriculture	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
Subtotal	227,533	227,171	-	240,035	8,620
With an allowance recorded:					
Education and the arts	3,678,795	3,654,756	1,043,200	3,629,898	54,122
Food and agriculture	77,386	77,054	7,739	78,025	5,156
Ecological stewardship	519,215	523,332	44,215	496,456	-
Subtotal	4,275,396	4,255,142	1,095,154	4,204,379	59,278
Total	$ 4,502,929	$ 4,482,313	$ 1,095,154	$ 4,444,414	$ 67,898

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 at December 31, 2017, 2016 and 2015 on a non-recurring basis.

2017	Total	Level 1	Level 2	Level 3
Education and the arts	$ 1,597,000	$ -	$ -	$ 1,597,000
2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Education and the arts	$ 1,933,914	$ -	$ -	$ 1,933,914
2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Education and the arts	$ 2,897,546	$ -	$ -	$ 2,897,546

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

The following table presents loans by class, modified as troubled debt restructurings that occurred during the years ended December 31, 2017, 2016, and 2015:

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

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Total
December 31, 2016			
Education and the arts	2	$ 609,229	$ 609,229

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Total
December 31, 2015			
Education and the arts	2	$ 575,475	$ 575,475

The modifications of loan terms during the years ended December 31, 2017, 2016 and 2015 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, 2016 and 2015.

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 40%, 39% and 48% at December 31, 2017, 2016 and 2015, respectively. Based on current economic conditions, schools may be subject to a drop in tuition revenue and/or state funding. SIF monitors 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,

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

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.

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2017, 2016 and 2015:

	Credit Risk Profile by Internally Assigned Grade			
2017	Education and the Arts	Food and Agriculture	Ecological Stewardship	Total
Grade:				
Pass	$ 33,040,680	$ 8,305,187	$ 12,419,990	$ 53,765,857
Watch list / special mention	6,316,890	374,801	-	6,691,691
Substandard	5,525,906	-	-	5,525,906
Doubtful	223,959	-	471,840	695,799
Loss	-	-	-	-
Total	$ 45,107,435	$ 8,679,988	$ 12,891,830	$ 66,679,253
2016				
Grade:				
Pass	$ 40,729,878	$ 6,500,654	$ 4,718,695	$ 51,949,227
Watch list / special mention	82,998	-	-	82,998
Substandard / doubtful	6,424,094	384,376	602,457	7,410,927
Loss	-	-	-	-
Total	$ 47,236,970	$ 6,885,030	$ 5,321,152	$ 59,443,152
2015				
Grade:				
Pass	$ 41,133,641	$ 4,733,122	$ 1,239,816	$ 47,106,579
Watch list / special mention	103,611	-	2,984,777	3,088,388
Substandard / doubtful	4,451,585	77,054	523,332	5,051,971
Loss	-	-	-	-
Total	$ 45,688,837	$ 4,810,176	$ 4,747,925	$ 55,246,938

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2017, 2016 and 2015:

	30-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2017						
Education and the arts	$ -	$ -	$ 4,366,462	$ 4,366,462	$40,745,618	$45,112,080
Food and agriculture	-	-	-	-	8,679,987	8,679,987
Ecological stewardship	-	-	471,840	471,840	12,415,346	12,887,186
Total	$ -	$ -	$ 4,838,302	$ 4,838,302	$ 61,840,951	$66,679,253
2016						
Education and the arts	$ -	$ -	$ 2,769,649	$ 2,769,649	$44,467,321	$47,236,970
Food and agriculture	-	-	-	-	6,885,030	6,885,030
Ecological stewardship	-	-	602,457	602,457	4,718,695	5,321,152
Total	$ -	$ -	$ 3,372,106	$ 3,372,106	$56,071,046	$59,443,152

	30-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2015						
Education and the arts	$ -	$ -	$ 3,551,146	$ 3,551,146	$42,137,691	$45,688,837
Food and agriculture	-	-	77,054	77,054	4,733,122	4,810,176
Ecological stewardship	-	-	523,332	523,332	4,224,593	4,747,925
Total	$ -	$ -	$ 4,151,532	$ 4,151,532	$51,095,406	$55,246,938

NOTE 4 - INVESTMENTS

CAM LLC was created by RSF to consolidate the investments of RSF and its supporting organizations. CAM LLC is a professionally managed, innovative and mission-related investment vehicle.

Fair value, cost and unrealized (losses) gains at December 31, 2017, 2016 and 2015 are as follows:

	Fair Value	Cost	Unrealized (Loss)/Gain
2017			
RSF Charitable Asset Management, LLC	$ 4,209,771	$ 4,612,572	$ (402,801)
2016			
RSF Charitable Asset Management, LLC	$ 4,242,643	$ 4,612,572	$ (369,929)
2015			
RSF Charitable Asset Management, LLC	$ 4,612,571	$ 5,357,873	$ (745,302)
Solar Bonds	2,010,000	2,000,000	10,000
	$ 6,622,571	$ 7,357,873	$ (735,302)

(Continued)

NOTE 4 – INVESTMENTS (Continued)

The balances of assets measured at fair value at December 31, 2017, 2016 and 2015 on a recurring basis are as follows:

2017	Total	Level 1	Level 2	Level 3
Investment in RSF Charitable Asset Management, LLC	$ 4,209,771	$ -	$ 4,209,771	$ -

2016	Total	Level 1	Level 2	Level 3
Investment in RSF Charitable Asset Management, LLC	$ 4,242,643	$ -	$ 4,242,643	$ -

2015	Total	Level 1	Level 2	Level 3
Investment in RSF Charitable Asset Management, LLC	$ 4,612,571	$ -	$ 4,612,571	$ -
Solar Bonds	2,010,000	-	2,010,000	-
Total	$ 6,622,571	$ -	$ 6,622,571	$ -

Finance staff determine fair value measurement policies and procedures for assets under the supervision of the Chief Financial Officer. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. Valuation is determined based on the fair value of the underlying assets of CAM LLC and SIF's ownership interest in the LLC.

While SIF 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 investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

The investment in CAM LLC is valued based on net asset value and the Solar Bonds are valued using market observable data such as quoted prices when available, such as quoted prices for cash and other liquid investments. When market observable data is unavailable, investments are valued using the net asset values which are determined based on the fair values of the underlying investments in CAM LLC. SIF may request to withdraw its investment in CAM LLC at any time, subject to available liquidity at the time of the request. Under the terms of the CAM LLC operating agreement, SIF may be required to wait until the end of the calendar quarter following its withdrawal request, to receive the funds.

(Continued)

NOTE 4 – INVESTMENTS (Continued)

The table below presents a summary of financial information for CAM LLC as of and for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Assets:			
Cash and cash equivalents	$ 36,477,990	$ 48,019,145	$ 36,562,925
Investments, at fair value	15,136,349	15,889,990	15,587,951
Advances to related parties and other receivables	10,566,473	3,570,739	6,320,897
	$ 62,180,812	$ 67,479,874	$ 58,471,773
Liabilities:			
Other liabilities	-	-	73,487
Members' equity	62,180,812	67,479,874	58,398,286
Total Liabilities and Members' equity	$ 62,180,812	$ 67,479,874	$ 58,471,773
Investment income:			
Interest and dividends	$ 525,410	$ 327,210	$ 222,020
Net realized and unrealized (losses)/gains on investments	(1,072,365)	325,536	261,980
	(546,955)	652,746	484,000
Expenses:			
Investment fees	-	-	2,848
Other expenses	17,350	16,820	17,368
	17,350	16,820	20,216
Net income	$ (564,305)	$ 635,926	$ 463,784
SIF ownership percentage in CAM LLC	6.8%	6.3%	7.8%

NOTE 4 – INVESTMENTS (Continued)

The table below presents a condensed schedule of the cash and investments held by CAM LLC at December 31, 2017, 2016 and 2015:

2017	Fair Value	Cost	Unrealized Gain (Loss)
Cash and cash equivalents	$ 36,465,832	$ 36,465,832	$ -
Corporate securities	24,238	125,778	(101,540)
Solar City Liquidity Fund	3,078,542	3,078,542	-
Solar City Bonds	4,045,333	4,045,333	-
Other	7,991,235	8,962,060	(970,825)
	$ 51,602,180	$ 52,674,545	$ (1,072,365)

2016	Fair Value	Cost	Unrealized Gain (Loss)
Cash and cash equivalents	$ 48,019,145	$ 48,019,145	$ -
Corporate securities	30,943	125,777	(94,834)
Solar City bond	7,073,667	7,073,667	-
Other	8,785,380	9,257,448	(472,068)
	$ 63,909,135	$ 64,476,037	$ (566,902)

2015	Fair Value	Cost	Unrealized Gain (Loss)
Cash and cash equivalents	$ 36,562,925	$ 36,562,925	$ -
Corporate securities	64,360	125,779	(61,419)
Solar City bond	7,097,500	7,097,500	-
Other	8,426,091	8,312,574	113,517
	$ 52,150,876	$ 52,098,778	$ 52,098

SIF manages their mission related investments 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.

(Continued)

NOTE 5 - NOTES PAYABLE

Investor Notes Payable: Investor notes payable consist of funds received by SIF from individuals, organizations and/or corporations that would like to support SIF's 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 Accounting Standards Codification ("ASC") Financial Instruments, the fair value of these notes is equal to the amount payable on demand at the measurement date.

At December 31, 2017, 2016 and 2015, SIF had investor notes payable totaling $120,408,576, $110,585,181, and $105,308,652, respectively, with effective interest rates of 0.75%, 0.50% and 0.25% respectively. On 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 SIF receives a request from the investors for repayment before the maturity date. SIF management observes that the average term of an active SIF 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.

Other notes payable: During the year ended December 31, 2016, SIF 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.

NOTE 6 - RELATED PARTY TRANSACTIONS

Secured Credit Facility Note, Related Party: Effective January 1, 2009, SIF entered into an agreement to provide a $25 million credit facility with RSF Social Enterprise, Inc. ("SEI"), which was increased to $60 million in July 2012. Outstanding draw amounts are advances that are used to originate or acquire for-profit loans by SEI.

Credit facility draws are monies received by SEI from SIF. Interest is accrued and compounded monthly with payments made by SEI to SIF on a quarterly basis. The credit facility interest rate is set quarterly by SIF based on the investor note rate plus 2.50%. Principal payments on the credit facility are made by SEI at its discretion; however, any outstanding amounts on the facility are due and payable at December 31, 2019. Outstanding credit facility amounts are fully secured by the SEI loan portfolio.

At December 31, 2017, 2016 and 2015, the secured credit facility note receivable from SEI totaled $38,295,957, $36,780,293 and $25,962,066, respectively. Interest income on the credit facility totaled approximately $1,276,000, $991,000 and $853,000 for the years ended December 31, 2017, 2016, and 2015, respectively.

(Continued)

NOTE 6 - RELATED PARTY TRANSACTIONS (Continued)

Advances due from (due to) Related Parties, Net:

	2017	2016	2015
Advances due from RSF, interest at RSF investor rate of 0.25%, due on demand	$22,265,636	$17,003,767	$ 3,664,856
Advances due from RSF Global Community Fund, Inc., an affiliate of RSF	-	-	397,235
Advances due to CAM LLC for line of credit	(54,914)	(87,412)	(45,335)
Advances due from related parties, net	$22,210,722	$16,916,355	$ 4,016,756

Advances due from (due to) related parties are unsecured. Net interest income from related parties, including interest paid for the years ended December 31, 2017, 2016 and 2015 was approximately $1,380,866, $1,037,094, and $869,113, respectively.

Management Agreement: SIF shares office space and employees with RSF. The overhead costs associated with these items are allocated between RSF and its affiliates in a manner which appropriately reflects each entity's respective share of these costs. Total overhead costs reimbursed to RSF for the years ended December 31, 2017, 2016, and 2015 were approximately $2,099,000, $2,750,000, and $4,098,000, respectively.

Investments: SIF has two deposit accounts with New Resource Bank (NRB). Mark Finser, RSF Board Chair and SIF Director, is a founder and chairman of NRB. The balance of the account was $3,872,595, $6,357,000, and $5,033,936 at December 31, 2017, 2016 and 2015, respectively.

Investor Notes Payable: Investor notes payable includes approximately $375,000, $490,000 and $393,000 owed to Trustees and employees as of December 31, 2017, 2016 and 2015, respectively, and approximately $4,167,000 to RSF's related entities as of December 31, 2017 and $2,773,000 as of December 31, 2016 and 2015.

Swap Agreement: At December 31, 2015, SIF provided collateral of approximately $1,348,000 on CAM LLC's swap agreements, to reduce the effect of changes in interest rates on their long-term debt which approximates the total notional amount between CAM LLC and a commercial bank. The swap agreements entered into by CAM LLC matured in August 2016 at the time the related loans receivable assets matured. SIF paid CAM LLC approximately $48,000 and $72,000 related to these swap agreements during the years ended December 31, 2016 and 2015, respectively. The CAM LLC swap agreements' fair value of the derivative instruments was approximately $54,000 at December 31, 2015.

(Continued)

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. SIF recognizes in the 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 financial statements.

Effective January 1, 2018, RSF Social Enterprises, Inc. (SEI), an entity under the common control of SIF's parent company, RSF, transferred all of its assets and liabilities to SIF. SEI is a for-profit entity with the primary objective of funding loans to for-profit organizations that support RSF's charitable mission. In accordance with FASB ASC 805, SIF measured the recognized assets and liabilities transferred at their carrying values.

At the time of transfer, SEI's liabilities included a note payable due to SIF under a secured credit facility totaling $38,295,957, as discussed in Note 6 above. Upon transfer, this credit facility and liability will be eliminated.

Following are the pro forma combined statement of financial position as of December 31, 2017 and the pro forma combined statement of activities for the year ended December 31, 2017.

PRO FORMA COMBINED SIF AND SEI
STATEMENT OF FINANCIAL POSITION
December 31, 2017

	SIF	SEI	Eliminations	Combined
ASSETS				
Cash and cash equivalents	$7,781,860	$1,571,376	-	$9,353,236
Mission related loans and investments:				
Loans receivable, net of allowance for loan losses of $1,289,816 for SIF and $988,126 for SEI	65,389,437	34,008,172	-	99,397,609
Investments, at fair value	4,209,771	1,236,278	-	5,446,049
Advances to related parties, net	22,210,722	-		22,210,722
Notes receivable due from related party	38,295,957	-	(38,295,957)	-
Prepaid and other assets	-	247,500	-	247,500
Total assets	$137,887,747	$37,063,326	$(38,295,957)	$136,655,116
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$54,286	$88,558	-	$142,844
Advances from related parties, net	-	40,325,189	(38,295,957)	2,029,232
Investor notes payable	120,408,576	-	-	120,408,576
Other notes payable	6,001,532	-	-	6,001,532
Total liabilities	126,464,394	40,413,747	(38,295,957)	128,582,184
Unrestricted net assets	11,423,353	(3,350,421)	-	8,072,932
Total liabilities and net assets	$ 137,887,747	$ 37,063,326	$ (38,295,957)	$ 136,655,116

(Continued)

PRO FORMA COMBINED SIF AND SEI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	SIF	SEI	Eliminations	Combined
Unrestricted revenues, gains and other support:				
Net interest, fees, and investment income				
Interest and fees - loans receivable	$3,264,821	$2,286,286	-	$5,551,107
Interest-related party notes receivable	1,380,871	-	(1,275,909)	104,962
Investment income, net	21,348	100,370		121,718
Net Interest, fees, and investment Income	4,667,040	2,386,656	(1,275,909)	5,777,787
Gifts and contributions	3	-	-	3
Total unrestricted revenues, gains and other support	4,667,043	2,386,656	(1,275,909)	5,777,790
Expenses:				
Program services:				
Interest expense - investor notes payable	986,548	-	-	986,548
Interest expense – related party notes payable	-	1,276,670	(1,275,909)	761
Personnel costs	1,388,217	742,454	-	2,130,671
Total program services	2,374,765	2,019,124	(1,275,909)	3,117,980
Supporting services:				
Management and general expenses	544,530	442,419	-	986,949
Total expenses	2,919,295	2,461,543	(1,275,909)	4,104,929
Change in unrestricted net assets	1,747,748	(74,887)	-	1,672,861
Unrestricted net assets at the beginning of year	9,675,605	(3,275,534)	-	6,400,071
Unrestricted net assets at end of year	$ 11,423,353	$ (3,350,421)	$ -	$8,072,932

SIF has evaluated subsequent events through April 24, 2018, the date the financial statements were available to be issued, and have determined that there are no other subsequent events that require additional recognition or disclosure.