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

FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016

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FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016

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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, as of December 31, 2018, RSF Social Investment Fund, Inc., adopted Accounting Standards Update ("ASU") 2016-14, *Presenting Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

Common Control Transaction

As discussed in Note 8 to the financial statements, during the year ended December 31, 2018, RSF Social Investment Fund, Inc., acquired the majority of the assets and liabilities of RSF Social Enterprise, Inc., an entity under common control. Our opinion is not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

The financial statements of RSF Social Investment Fund, Inc. as of and for the year ended December 31, 2016, were audited by other auditors whose report thereon dated April 28, 2017, expressed an unmodified opinion on those financial statements. As discussed in Note 8 to the financial statements, RSF Social Investment Fund, Inc., has adjusted its 2017 and 2016 financial statements to retrospectively reflect the acquisition of the net assets of RSF Social Enterprise, Inc. The other auditors reported on the 2016 financial statements before the adjustments to retrospectively reflect the acquisition.

As a part of our audit of the 2018 financial statements, we also audited the adjustments made to the 2016 financial statements to retrospectively reflect the acquisition of the net assets of RSF Social Enterprise, Inc., as described in Note 8. Management derived the adjustments from the financial statements of RSF Social Enterprise, Inc., as of and for the year ended December 31, 2016, which were audited by other auditors whose report thereon dated July 10, 2017, expressed an unmodified opinion on those financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to RSF Social Investment Funds, Inc.'s 2016 financial statements or RSF Social Enterprise, Inc.'s, 2016 financial information, other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

Moss Adams LLP

San Francisco, California
April 30, 2019

RSF SOCIAL INVESTMENT FUND, INC.
(An Affiliate of Rudolf Steiner Foundation, Inc., dba RSF Social Finance)
STATEMENTS OF FINANCIAL POSITION
December 31, 2018, 2017, and 2016

	2018	2017[A]	2016[A]
ASSETS			
Cash and cash equivalents	$ 7,650,693	$ 9,353,236	$ 10,445,741
Mission related loans and investments:			
Loans receivable, net of allowance for loan losses of $2,878,298, $2,277,942 and $2,253,340 as of December 31, 2018, 2017 and 2016, respectively	124,456,573	99,397,609	91,130,818
Investments, at fair value	2,761,986	5,371,816	5,466,087
Investments, held at cost	74,233	74,233	74,233
Advances to related parties, net	20,254,693	20,181,490	15,923,322
Prepaids and other assets	-	247,500	-
Total assets	$ 155,198,178	$ 134,625,884	$ 123,040,201
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 153,932	$ 142,844	$ 49,375
Investor notes payable	135,190,290	120,408,576	110,585,181
Other notes payable	8,105,333	6,001,532	6,005,574
Total liabilities	143,449,555	126,552,952	116,640,130
Net assets without donor restrictions	11,748,623	8,072,932	6,400,071
Total liabilities and net assets	$ 155,198,178	$ 134,625,884	$ 123,040,201

[A]As adjusted. See Note 8 – Combined SIF and SEI.

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018, 2017, and 2016

	2018	2017[A]	2016[A]
Revenues, gains and other support without donor restrictions:			
Net interest, fees, and investment income			
Interest and fees - loans receivable	$ 7,225,651	$ 5,551,107	$ 5,059,416
Interest - related party notes receivable	138,043	104,962	48,631
Investment income, net	1,674,544	121,718	19,605
Net interest, fees, and investment income	9,038,238	5,777,787	5,127,652
Gifts and contributions	4,224	3	20,071
Total revenues, gains and other support without donor restrictions	9,042,462	5,777,790	5,147,723
Expenses:			
Program services	4,035,598	3,117,980	3,397,737
Management and general expenses	1,331,173	986,949	1,258,278
Total expenses	5,366,771	4,104,929	4,656,015
Change in net assets	3,675,691	1,672,861	491,708
Net assets at beginning of year	8,072,932	6,400,071	5,908,363
Net assets at end of year	$ 11,748,623	$ 8,072,932	$ 6,400,071

[A]As adjusted. See Note 8 – Combined SIF and SEI.

See accompanying notes to financial statements.

RSF SOCIAL INVESTMENT FUND, INC.
(An Affiliate of Rudolf Steiner Foundation, Inc., dba RSF Social Finance)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Expenses				
	Social Enterprise Lending Program	Investor Notes Program	Total Program Expenses	Management and General Expenses	Total
Interest expense on investor notes	$ -	$ 1,340,702	$ 1,340,702	$ -	$ 1,340,702
Loan loss provision	600,356	-	600,355	-	600,356
Personnel costs	1,131,813	112,546	1,244,359	1,091,378	2,335,737
Consultants	95,233	26,861	122,094	34,437	156,531
Legal, accounting and audit expenses	270,442	76,278	346,720	97,792	444,512
Travel expenses	36,207	10,212	46,419	13,092	59,511
Marketing expenses	38,484	10,854	49,338	13,916	63,254
Other management and general expenses	222,775	62,835	285,611	80,558	366,168
Total functional expenses	$ 2,395,310	$ 1,640,288	$ 4,035,598	$ 1,331,173	$ 5,366,771

See accompanying notes to financial statements.

RSF SOCIAL INVESTMENT FUND, INC.
(An Affiliate of Rudolf Steiner Foundation, Inc., dba RSF Social Finance)
STATEMENTS OF CASH FLOWS
Years ended December 31, 2018, 2017, and 2016

	2018	2017	2016
Cash flows from operating activities			
Change in net assets without donor restrictions	$ 3,675,691	$ 1,672,861	$ 491,708
Adjustment to reconcile change in net assets without donor restrictions to net cash provided by operating activities			
Provision for loan loss reserve	600,356	65,000	390,000
Realized and unrealized (gain) loss on investments	(1,661,265)	32,872	369,928
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	247,500	(247,500)	-
Accounts payable and accrued expenses	11,088	93,469	(39,245)
Net cash provided by operating activities	2,873,370	1,616,702	1,212,391
Cash flows from investing activities			
Net loan (originations) principal collections	(25,659,320)	(8,331,791)	(15,870,478)
Proceeds from sale of investment	-	61,399	-
Advances from (to) related parties	4,197,892	(4,258,168)	(10,171,319)
Net cash (used in) investing activities	(21,461,428)	(12,528,560)	(26,041,797)
Cash flows from financing activities			
Net proceeds from (payments on) investor notes payable	14,781,714	9,823,395	5,276,529
(Payments on) other notes payable	-	(4,042)	-
Proceeds from other notes payable	2,103,801	-	6,005,574
Net cash provided by financing activities	16,885,515	9,819,353	11,282,103
Net (decrease) in cash and cash equivalents	(1,702,543)	(1,092,505)	(13,547,303)
Cash and cash equivalents at beginning of year	9,353,236	10,445,741	23,993,044
Cash and cash equivalents at end of year	$ 7,650,693	$ 9,353,236	$ 10,445,741

Supplemental Disclosures of Cash Flow Information

	2018	2017	2016
Non-cash investing activity from withdrawal of investment in RSF Charitable Asset Management, LLC	$ 4,271,095	$ -	$ -
Interest paid during the year	$ 1,205,369	$ 865,416	$ 537,937

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 programs that support RSF’s charitable mission:

Investor Notes Program – SIF offers individuals and organizations the ability to invest in unsecured notes as part of the Investor Notes Program. The notes mature and pay interest at the end of each calendar quarter, and principal and interest are automatically reinvested or, if an investor requests, repaid at maturity. SIF sets the interest rate for the notes effective as of the first day of each calendar quarter. See Note 6 – Notes Payable.

Social Enterprise Lending Program – Proceeds from the Investor Notes Program are used by SIF to make loans to a broad range of mission-related social enterprises in the fields of sustainable agriculture, education and the arts, and ecological stewardship. Borrowers are evaluated on factors such as creditworthiness, social mission, supplier and customer practices, community engagement, and environmental regeneration. See Note 3 – Loans Receivable, Net.

Effective January 1, 2018, RSF Social Enterprise, Inc. (“SEI”), an entity under the common control of SIF’s parent company, RSF, transferred all its assets and liabilities to SIF. SEI was a for-profit entity with the primary objective of funding loans to for-profit organizations that support RSF’s charitable mission. Upon the merger of SIF and SEI, SEI was terminated. See Note 8 – Combined SIF and SEI.

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.

New Accounting Pronouncement: During 2018, SIF adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions. Net assets have not been reclassified for 2017 or 2016, due to the adoption of ASU 2016-14 as of December 31, 2018.

Description of Net Assets: SIF reports information regarding its financial position and activities according to two classes of net assets. *Without donor restrictions* is defined as that portion of net assets that has no use or time restrictions. *With donor restrictions* is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. There were no assets with donor restrictions as of December 31, 2018, 2017, and 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and for-profit social enterprise 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.

Allowance for loan losses – The allowance 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 (FASB Accounting Standards Codification ("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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is SIF's policy to classify all loans with a delinquent status of 90 days as substandard and place the loans on non-accrual status.

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.

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.

Loans are considered impaired when the individual evaluation of current information regarding the borrower's financial condition, loan collateral, are impaired and/or cash flows indicate SIF will be unable to collect all amounts due according to the contractual terms of the loan agreement, including interest payments. Impairment is measured based on the present value of the expected future cash flows discounts at the loan's effective interest rate, or the fair value of the collateral, less costs to sell, if the loan is collateral dependent.

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, and/or other actions designed to maximize collections.

TDRs 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 TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, management determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: SIF holds shares of corporate securities comprised of Sustainable Produce Urban Delivery Inc. (“SPUD”) common stock. Prior to December 21, 2018, SIF also held an investment in an affiliated entity, RSF Charitable Asset Management, LLC (“CAM LLC”), which was carried at net asset value in these financial statements, based on the respective investment in the entity. The underlying investments of CAM LLC were a combination of liquid cash and investments measured at fair value. On December 21, 2018, CAM LLC transferred all its assets and liabilities to RSF, and SIF withdrew its investment in CAM LLC’s underlying investments of $4,271,095.

The corporate securities and underlying investments with readily determinable fair values and were recorded at their fair values. Stock gifts received from donors were 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 were accounted for as with or without donor restrictions based on restrictions, if any, in the accompanying statements of activities.

The fair values of the corporate securities and underlying investments were evaluated by SIF to determine if the values should be adjusted. Factors considered included, but were 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 were reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

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 net assets with or without donor restrictions, 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 that 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 represents warrants. These investments are evaluated for impairment annually and written down when appropriate. As of December 31, 2018, 2017, and 2016, no such write-downs have occurred.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the entity'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 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.

Revenue Recognition:

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

Gifts and contributions are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Support with donor restrictions is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018, 2017 and 2016, the base rate in place was 5.25%, 5.00% and 4.75%, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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. Supporting service expenses were allocated among programs based on the estimated time spent on these functions by specific employees. SIF is not involved in the solicitation of contributions and, as such, no fundraising expenses are incurred.

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.

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, 2018, 2017, and 2016. At various times during the years 2018, 2017, and 2016, 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, 2018, 2017, and 2016.

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, 2018, 2017, and 2016. SIF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Reclassifications: Some items in the 2017 and 2016 financial statements were reclassified to conform with the 2018 presentation. Reclassifications had no effect on prior year change in net assets or net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements:
In May 2014, the 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. ASU 2014-09 will be effective for SIF on January 1, 2019 and is not expected to have a significant impact 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 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, 2019 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)*. The amendments in this ASU intend to increase transparency and comparability among organizations by recognizing an asset, which represents the right to use the asset for the lease term, and a lease liability, which is a lessee's obligation to make lease payments measured on a discounted basis. This ASU generally applies to leasing arrangements exceeding a twelve-month term. ASU 2016-02 is effective for nonpublic entities for annual periods, including interim periods within those annual periods beginning after December 15, 2019 and requires a modified retrospective method of adoption. In July 2018, the FASB issued two amendments to ASU 2016-02: ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which provides various corrections and clarifications to ASU 2016-02; and ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides a new optional transition method and provides a lessor with practical expedients for separating lease and non-lease components of a lease. Entities will apply a modified retrospective approach at either the beginning of the earliest period presented or at the beginning of the period of adoption through a cumulative-effect adjustment to retained earnings. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard will replace today's "incurred loss" model with a "current expected credit loss" ("CECL") model. The CECL model will apply to estimated credit losses on loans receivable, held-to-maturity debt securities, unfunded loan commitments, and certain other financial assets measured at amortized cost. The CECL model is based on lifetime expected losses, rather than incurred losses, and requires the recognition of credit loss expense in the statement of income and a related allowance for credit losses on the statement of condition at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Likewise, subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but reasonable and supportable forecasts of future events and circumstances, incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance. Under ASU 2016-13, available-for-sale debt securities are evaluated for impairment if fair value is less than amortized cost. Estimated credit losses are recorded through a credit loss expense and an allowance, rather than a write-down of the investment. Changes in fair value that are not credit-related will continue to be recorded in other comprehensive income. The ASU also expands the disclosure requirements regarding assumptions, models, and methods for estimating the allowance for loan losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for nonprofit entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities will apply a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While SIF believes that the change from an incurred loss model to a CECL model has the potential to increase the allowance for loan losses at the adoption date, the impact of the adoption of the amendments to SIF’s financial condition or statement of activities cannot be reasonably quantified at this time due to the complexity and extensive changes from these amendments. SIF is evaluating tools to forecast future economic conditions that affect the cash flows of our loans over their lifetime.

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 became effective for SIF on January 1, 2018 and did not have a significant impact on SIF’s financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU remove, modify, and add disclosure requirements for the fair value reporting of assets and liabilities. The modifications and additions relate to Level 3 fair value measurements at the end of the reporting period. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities should disclose and describe the range and weighted-average of significant observable inputs used to develop Level 3 fair value measurements prospectively. Early adoption is permitted. Entities making this election are permitted to early adopt the eliminated or modified disclosure requirements and delay the adoption of all the new disclosure requirements until the ASU's effective date. As the ASU’s requirements only relate to disclosures, the amendments will not impact SIF’s financial condition or statement of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This standard aligns the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, regardless of whether they convey a license to the hosted software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by this ASU. The amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within annual periods after December 15, 2021. An entity has the option to apply amendments in the ASU either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted, including adoption in an interim period. Management does not expect that the ASU will have a material impact on SIF's financial condition or statement of activities.

NOTE 3 - LOANS RECEIVABLE, NET

As of December 31, 2018, 2017, and 2016, SIF's total loans receivable are summarized by loan category in the following table:

	2018	2017	2016
Education and the arts	$ 64,328,867	$ 52,780,442	$ 54,169,427
Food and agriculture	46,732,122	34,159,654	31,114,766
Ecological stewardship	16,273,882	14,735,455	8,099,965
Subtotal	127,334,871	101,675,551	93,384,158
Allowance for loan losses	(2,878,298)	(2,277,942)	(2,253,340)
	$ 124,456,573	$ 99,397,609	$ 91,130,818

SIF extends credit to organizations that are mission-related. Interest rates offered on newly originated loans ranged from 3.75% to 8.25% during 2018, from 3.75% to 13.00% during 2017, and from 3.25% to 13.50% during 2016. 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, 2018, 2017, and 2016, the contractual amount of the unfunded credit commitments is approximately $15,318,000, $22,812,000, and $15,257,000, respectively.

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 2018, 2017, and 2016, SIF had in place approximately $3,715,000, $2,635,000 and $2,675,000, 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, 2018, 2017, and 2016:

	2018	2017	2016
Balance at beginning of year	$ 2,277,942	$ 2,253,340	$ 2,243,413
Provision for loan losses	600,356	65,000	390,000
Charge-offs, net of recoveries	-	(40,398)	(380,073)
Balance at end of year	$ 2,878,298	$ 2,277,942	$ 2,253,340
Allowance for loan losses individually evaluated for impairment			
Education and the arts	$ 43,193	$ 225,616	$ 476,308
Food and agriculture	443,655	60,702	164,590
Climate and the environment	-	-	214,500
	$ 486,848	$ 286,318	$ 855,398
Allowance for loan losses collectively evaluated for impairment			
Education and the arts	$ 1,218,578	$ 1,041,843	$ 798,971
Food and agriculture	870,211	643,992	445,287
Climate and the environment	302,661	305,789	153,684
	$ 2,391,450	$ 1,991,624	$ 1,397,942

As of December 31, 2018, 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.

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

	2018				
	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	$ 3,623,321	$ 3,615,718	$ -	$ 3,428,575	$ 107,027
Food and agriculture	621,030	608,435	-	449,689	65,903
Climate and the environment	-	-	-	-	-
Subtotal	4,244,351	4,224,153	-	3,878,264	172,930
With an allowance recorded:					
Education and the arts	$ 1,457,593	$ 1,457,593	$ 43,193	$ 1,422,635	$ -
Food and agriculture	804,300	800,000	443,655	1,277,720	$ 84,848
Climate and the environment	-	-	-	-	-
Subtotal	2,261,893	2,257,593	486,848	2,700,355	84,848
Total	$ 6,506,244	$ 6,481,746	$ 486,848	$ 6,578,619	$ 257,778

	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	450,461	447,213	60,702	394,546	31,728
Ecological stewardship	-	-	-	-	-
Subtotal	1,927,939	1,981,151	286,318	2,349,981	31,728
Total	$ 6,672,166	$ 6,770,791	$ 286,318	$ 6,198,057	$ 468,789

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	548,632	545,038	-	426,782	26,215
Ecological stewardship	1,025,464	1,026,559	-	659,105	22,230
Subtotal	4,847,701	4,829,195	-	3,836,467	207,117
With an allowance recorded:					
Education and the arts	3,150,488	3,136,216	476,308	3,414,642	-
Food and agriculture	-	-	164,590	-	-
Ecological stewardship	602,457	602,457	214,500	560,836	-
Subtotal	3,752,945	3,738,673	855,398	3,975,478	-
Total	$ 8,600,646	$ 8,567,868	$ 855,398	$ 7,811,945	$ 207,117

Impaired loans are recorded at the lower of cost or fair value. Impaired loans are not recorded at fair value on a recurring basis. The fair value of an impaired loan is estimated using collateral value, market value of similar debt, liquidation value, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investment in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value or the appraised value contains a significant unobservable assumption, and there is no observable market price, SIF records the impaired loan as nonrecurring Level 3. The table below presents the balances of impaired loans measured at fair value at December 31, 2018, 2017, and 2016, on a non-recurring basis.

2018	Total	Level 1	Level 2	Level 3
Education and the arts	$ 1,414,400	$ -	$ -	$ 1,414,400
Food and agriculture	360,645	-	-	360,645
	$ 1,775,045	$ -	$ -	$ 1,775,045

2017	Total	Level 1	Level 2	Level 3
Education and the arts	$ 1,597,000	$ -	$ -	$ 1,597,000
Food and agriculture	$ 389,759	-	-	$ 389,759
	$ 1,986,759	$ -	$ -	$ 1,986,759

2016	Total	Level 1	Level 2	Level 3
Education and the arts	$ 1,933,914	$ -	$ -	$ 1,933,914
Food and agriculture	$ 210,402			$ 210,402
	$ 2,144,316	$ -	$ -	$ 2,144,316

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, 2018, 2017, and 2016:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Total
December 31, 2018			
Food and agriculture	1	1,207,780	1,207,780

	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

The modifications of loan terms during the years ended December 31, 2018, 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, 2018, 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 29%, 27% and 25% at December 31, 2018, 2017, and 2016, 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.

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

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.

The following table shows the loan portfolio allocated by management's internal risk ratings at December 31, 2018, 2017, and 2016:

	Credit Risk Profile by Internally Assigned Grade			
2018	Education and the Arts	Food and Agriculture	Climate and the Environment	Total
Grade:				
Pass	$ 53,377,580	$ 43,615,123	$ 16,273,882	$ 113,266,585
Watch list / special mention	6,561,315	1,691,669	-	8,252,984
Substandard	4,389,972	621,030	-	5,011,002
Doubtful	-	804,300	-	804,300
Loss	-	-	-	-
Total	$ 64,328,867	$ 46,732,122	$ 16,273,882	$ 127,334,871

	Credit Risk Profile by Internally Assigned Grade			
2017	Education and the Arts	Food and Agriculture	Climate and the Environment	Total
Grade:				
Pass	$ 40,713,686	$ 32,881,491	$ 14,263,615	$ 87,858,792
Watch list / special mention	6,316,891	827,703	-	7,144,594
Substandard	5,525,907	450,460	471,840	6,448,207
Doubtful	223,958	-		223,958
Loss	-	-	-	-
Total	$ 52,780,442	$ 34,159,654	$ 14,735,455	$ 101,675,551

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

	Credit Risk Profile by Internally Assigned Grade			
2016	Education and the Arts	Food and Agriculture	Climate and the Environment	Total
Grade:				
Pass	$ 47,662,335	$ 28,746,170	$ 5,943,316	$ 82,351,821
Watch list / special mention	82,998	1,435,588	1,163	1,519,749
Substandard	6,424,094	933,008	1,995,985	9,353,087
Doubtful	-	-	159,501	159,501
Loss	-	-	-	-
Total	$ 54,169,427	$ 31,114,766	$ 8,099,965	$ 93,384,158

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2018, 2017, and 2016:

	30-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2018						
Education and the arts	$ -	$ -	$ 3,532,226	$ 3,532,226	$60,796,641	$64,328,867
Food and agriculture	-	-	-	-	46,732,122	46,732,122
Ecological stewardship	-	-	-	-	16,273,882	16,273,882
Total	$ -	$ -	$ 3,532,226	$ 3,532,226	$123,802,645	$127,334,871

	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	$48,413,980	$52,780,442
Food and agriculture	-	-	-	-	34,159,654	34,159,654
Ecological stewardship	-	-	471,841	471,841	14,263,614	14,735,455
Total	$ -	$ -	$ 4,838,303	$ 4,838,303	$ 96,837,248	$101,675,551

	30-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2016						
Education and the arts	$ -	$ -	$ 2,769,649	$ 2,769,649	$51,399,778	$54,169,427
Food and agriculture	-	-	-	-	31,114,766	31,114,766
Ecological stewardship	-	-	761,958	761,958	7,338,007	8,099,965
Total	$ -	$ -	$ 3,531,607	$ 3,531,607	$89,852,551	$93,384,158

NOTE 4 – INVESTMENTS

SIF holds shares of corporate securities comprised of Sustainable Produce Urban Delivery Inc. (“SPUD”) common stock. Prior to December 21, 2018, SIF also held an investment in an affiliated entity, RSF Charitable Asset Management, LLC (“CAM LLC”). CAM LLC was created by RSF to consolidate the investments of RSF and its supporting organizations. CAM LLC was a professionally managed, innovative and mission-related investment vehicle. On December 21, 2018, CAM LLC transferred all its assets and liabilities to RSF, and SIF withdrew its investment in CAM LLC’s underlying investments.

NOTE 4 – INVESTMENTS (Continued)

Fair value, cost and unrealized (losses) gains of investments valued at fair value at December 31, 2018, 2017, and 2016 are as follows:

	Fair Value	Cost	Unrealized (Loss)/Gain
2018			
Corporate securities	$ 2,761,986	$ 1,162,045	$1,599,941
Total	$ 2,761,986	$ 1,162,045	$1,599,941

	Fair Value	Cost	Unrealized (Loss)/Gain
2017			
Corporate securities	$ 1,162,045	$ 1,162,045	$ -
RSF Charitable Asset Management, LLC	4,209,771	$ 4,612,572	$ (402,801)
Total	$ 5,371,816	$ 5,774,617	$ (402,801)

	Fair Value	Cost	Unrealized (Loss)/Gain
2016			
Corporate securities	$ 1,223,444	$ 1,223,444	$ -
RSF Charitable Asset Management, LLC	$ 4,242,643	$ 4,612,572	$ (369,929)
Total	$ 5,466,087	$ 5,836,016	$ (369,929)

The balances of assets measured at fair value at December 31, 2018, 2017, and 2016 on a recurring basis are as follows:

2018	Level 1	Level 2	Level 3
Corporate securities	$ -	$ -	$ 2,761,986
Total	$ -	$ -	$ 2,761,986

2017	Level 1	Level 2	Level 3
Corporate securities	$ -	$ -	$ 1,162,045
Investment in RSF Charitable Asset Management, LLC	$ -	$ 4,209,771	$ -
Total	$ -	$ 4,209,771	$ 1,162,045

2016	Level 1	Level 2	Level 3
Corporate securities	$ -	$ -	$ 1,223,444
Investment in RSF Charitable Asset Management, LLC	$ -	$ 4,242,643	$ -
Total	$ -	$ 4,242,643	$ 1,223,444

Valuation process – Fair value associated with these investments were based on information provided by the invested company. SIF determines fair value measurement policies and procedures for assets and liabilities under the supervision of the Board of Directors and the Chief Financial Officer. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies, and are consistent with market, income, and cost approaches. Unobservable inputs used in the fair value measurements are evaluated, as necessary, based on current market conditions, reporting from invested company, and other third-party information, including contract terms.

NOTE 4 – INVESTMENTS (Continued)

Valuation of the investment in CAM LLC was determined based on the fair value of the underlying assets and SIF's ownership interest in CAM LLC. While SIF believes its valuation methods were 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 was valued based on net asset value.

	2017	2016
Assets:		
Cash and cash equivalents	$ 36,477,990	$ 48,019,145
Investments, at fair value	15,136,349	15,889,990
Advances to related parties and other receivables	10,566,473	3,570,739
	$ 62,180,812	$ 67,479,874
Members' equity	$ 62,180,812	$ 67,479,874
Investment income:		
Interest and dividends	$ 525,410	$ 327,210
Net realized and unrealized (losses)/gains on investments	(1,072,365)	325,536
	(546,955)	652,746
Expenses:		
Other expenses	17,350	16,820
	17,350	16,820
Net income	$ (564,305)	$ 635,926
SIF ownership percentage in CAM LLC	6.8%	6.3%

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

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	$ 52,677,545	$ (1,072,365)

NOTE 4 – INVESTMENTS (Continued)

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)

Level 3 investments includes corporate securities of SPUD common stock which are illiquid and for which there may not be a secondary market for sale of the investment. Valuation techniques and inputs for the closely held stock are described below.

Corporate securities – SIF's corporate securities seek capital appreciation and are dependent on the success of the company's business plan. Distributions from SIF's investments are dependent on the secondary market and the demand for such closely held stock. The investment is valued no less than annually based on a valuation model. For this instrument, determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment, and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

SIF's valuation of SPUD common stock used a market approach method which derives fair value by reference to observable valuation measures for comparable companies and valuations derived from the company's last round of financing.

The investment objective of the Level 3 investment is to seek returns from a socially responsible company and allow for the investor to exit at the opportune time. There are no unfunded commitments in Level 3 investments as of December 31, 2018, 2017, or 2016.

The following table is a roll forward of those investment assets classified as Level 3 as of December 31, 2018, 2017 and 2016:

	Corporate Securities
Beginning balance January 1, 2016	$ 1,223,444
Unrealized loss	-
Ending balance December 31, 2016	1,223,444
Sale of Investment	(61,399)
Ending balance December 31, 2017	1,162,045
Unrealized gain	1,599,941
Ending balance December 31, 2018	$ 2,761,986

NOTE 4 – INVESTMENTS (Continued)

SIF manages its 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.

NOTE 5 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects SIF's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or when held for others. Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2018:

Financial assets	
Cash and cash equivalents	$ 7,650,693
Mission related loans and investments:	
Loans receivable, net of allowance for loan losses	124,456,573
Investments, at fair value	2,761,986
Investments, held at cost	74,233
Advances to related parties, net	20,254,693
Financial assets, at December 31, 2018	$ 155,198,178
Less those unavailable for general expenditure within one year, due to:	
Principal receivable from loans after December 31, 2019	111,369,664
Loan fees receivable after December 31, 2019	116
Illiquid investments, at fair value	2,761,986
Illiquid investments, held at cost	74,233
Advances to related parties, net	20,254,693
Financial assets available to meet cash needs for general expenditures within one year	$ 20,737,486

In addition to the financial assets available in the table above, SIF had approximately $3,715,000 in limited loan guarantees as of December 31, 2018. Management structures SIF's financial assets to be available as its general expenditure, including SIF investor notes payable redemptions and borrower draws on lines of credit, liabilities, and other obligations come due.

NOTE 6 - 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 FASB ASC Topic 825, Financial Instruments, the fair value of these notes is equal to the amount payable on demand at the measurement date.

NOTE 6 - NOTES PAYABLE (Continued)

At December 31, 2018, 2017, and 2016, SIF had investor notes payable totaling $135,190,290, $120,408,576, and $110,585,181, respectively, with effective interest rates of 1.00%, 0.75%, and 0.50% respectively. On renewal, the principal amount of the note will include any elected reinvested quarterly interest.

SIF's parent company, RSF, invests a portion of its philanthropic assets in SIF investor notes. At December 31, 2018, 2017, and 2016, RSF investment balances in the SIF Investor Notes Program totaled $13,872,771, $5,786,091, and $3,772,749, respectively.

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 9.2 years and that over the past three years only an average of 9% 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 an unsecured note payable agreement with an unrelated party. At December 31, 2018, 2017, and 2016, the balance of this note payable was $8,105,333, $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 7 - RELATED PARTY TRANSACTIONS

Advances due from related parties, net:

	2018	2017	2016
Advances due from RSF	$56,728,441	$ 46,261,425	$36,031,091
Advances due to RSF	(34,505,399)	(23,846,464)	(19,027,322)
Advances due from CAM LLC	-	90,071	57,571
Advances due to CAM LLC	-	(155,193)	(139,985)
Advances due from RSF Capital Management, PBC	200,000	-	-
Advances due to RSF Capital Management, PBC	(2,168,349)	(2,168,349)	(998,033)
Advances due from related parties, net	$ 20,254,693	$ 20,181,490	$ 15,923,322

Advances due from (due to) related parties are unsecured. Net interest income from related parties, including interest paid for the years ended December 31, 2018, 2017, and 2016, was approximately $138,043, $104,962, and $48,631, respectively. The interest rate for related parties is .25% due on demand.

NOTE 7 - RELATED PARTY TRANSACTIONS (Continued)

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, 2018, 2017, and 2016, were approximately $3,346,000, $3,448,000, and $3,604,000, respectively.

Investor Notes Payable: Investor notes payable includes approximately $442,000, $375,000, and $490,000 owed to trustees and employees as of December 31, 2018, 2017, and 2016, respectively. SIF's parent company, RSF, also invests a portion of its philanthropic assets in SIF investor notes. See Note 6 – Notes Payable for additional information.

NOTE 8 – COMBINED SIF AND SEI

Effective January 1, 2018, RSF Social Enterprise, 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. Upon the merger of SIF and SEI, SEI was terminated.

RSF, through its board of directors and management, controlled both SIF and SEI, making them entities under common control in accordance with ASC 805-50. In accordance with the requirements, the assets and liabilities acquired by SIF have been recorded at the carrying value of those assets and liabilities previously held by SEI. Furthermore, in accordance with ASC 805-50, SIF's statement of financial position and related statements of activities and cash flows have been retrospectively adjusted to present the combined financial information of SEI, as if SEI had been combined for all periods presented, resulting in a restatement of the beginning net assets for the year ended December 31, 2016. In accordance with FASB ASC 805, SIF measured the recognized assets and liabilities transferred at their carrying values.

NOTE 8 – COMBINED SIF AND SEI (Continued)

The following are the effects of combining the assets, liabilities, and results of operations of the previously separate entities as of December 31, 2017 and 2016.

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

	SIF[B]	SEI	Eliminations	Combined[C]
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	1,162,045	-	5,371,816
Investments, held at cost	-	74,233	-	74,233
Advances to (from) related parties	22,210,722	(40,325,189)	38,295,957	20,181,490
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	$ (3,261,863)	$ -	$ 134,625,884
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 54,286	$ 88,558	-	$ 142,844
Investor notes payable	120,408,576	-	-	120,408,576
Other notes payable	6,001,532	-	-	6,001,532
Total liabilities	126,464,394	88,558	-	126,552,952
Net assets without donor restrictions	11,423,353	(3,350,421)	-	8,072,932
Total liabilities and net assets	$ 137,887,747	$ (3,261,863)	$ -	$ 134,625,884

[B]As previously reported
[C]As currently reported

NOTE 8 – COMBINED SIF AND SEI (Continued)

COMBINED SIF AND SEI
STATEMENT OF FINANCIAL POSITION
December 31, 2016

	SIF[B]	SEI	Eliminations	Combined[C]
ASSETS				
Cash and cash equivalents	$10,254,506	$ 191,235	-	$10,445,741
Mission related loans and investments:				
Loans receivable, net of allowance for loan losses of $1,330,215 for SIF and $923,125 for SEI	58,112,938	33,017,880	-	91,130,818
Investments, at fair value	4,242,643	1,223,444	-	5,466,087
Investments, held at cost	-	74,233	-	74,233
Advances to (from) related parties	16,916,355	(37,773,326)	36,780,293	15,923,322
Prepaid and other assets	-	-	-	-
Total assets	$ 126,306,735	$ (3,266,534)	$ -	$123,040,201
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 40,375	$ 9,000	-	$ 49,375
Investor notes payable	110,585,181	-	-	110,585,181
Other notes payable	6,005,574	-	-	6,005,574
Total liabilities	116,631,130	9,000	-	116,640,130
Net assets without donor restrictions	9,675,605	(3,275,534)	-	6,400,071
Total liabilities and net assets	$ 126,306,735	$ (3,266,534)	$ -	$123,040,201

[B]As previously reported
[C]As currently reported

NOTE 8 – COMBINED SIF AND SEI (Continued)

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

	SIF[B]	SEI	Eliminations	Combined[C]
Revenues, gains and other support without donor restrictions:				
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 revenues, gains and other support without donor restrictions	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 net assets	1,747,748	(74,887)	-	1,672,861
Net assets at the beginning of year	9,675,605	(3,275,534)	-	6,400,071
Net assets at end of year	$ 11,423,353	$ (3,350,421)	$ -	$8,072,932

[B]As previously reported
[C]As currently reported

NOTE 8 – COMBINED SIF AND SEI (Continued)

COMBINED SIF AND SEI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	SIF[B]	SEI	Eliminations	Combined[C]
Revenues, gains and other support without donor restrictions:				
Net interest, fees, and investment income				
Interest and fees - loans receivable	$3,152,328	$1,907,088	$ -	$5,059,416
Interest-related party notes receivable	1,037,093	-	(988,462)	48,631
Investment income, net	51,504	(31,899)		19,605
Net Interest, fees, and investment Income	4,240,925	1,875,189	(988,462)	5,127,652
Gifts and contributions	20,071	-	-	20,071
Total revenues, gains and other support without donor restrictions	4,260,996	1,875,189	(988,462)	5,147,723
Expenses:				
Program services:				
Interest expense - investor notes payable	590,693	-	-	590,693
Interest expense – related party notes payable	-	988,462	(988,462)	-
Personnel costs	2,149,914	657,130	-	2,807,044
Total program services	2,740,607	1,645,592	(988,462)	3,397,737
Supporting services:				
Management and general expenses	709,561	548,717	-	1,258,278
Total expenses	3,450,168	2,194,309	(988,462)	4,656,015
Change in net assets	810,828	(319,120)	-	491,708
Net assets at the beginning of year	8,864,777	(2,956,414)	-	5,908,363
Net assets at end of year	$ 9,675,605	$ (3,275,534)	$ -	$6,400,071

[B]As previously reported
[C]As currently reported

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be 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.

SIF has evaluated subsequent events through April 30, 2019, 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.