Report of Independent Auditors and
Financial Statements

RSF Social Investment Fund, Inc.

(an affiliate of Rudolf Steiner Foundation, Inc.
dba RSF Social Finance)

December 31, 2020, 2019, and 2018

MOSSADAMS

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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, 2020, 2019, and 2018, and the related statements of activities, 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 audits 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, 2020, 2019, and 2018, 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.

Moss Adams LLP

San Francisco, California
April 29, 2021

Financial Statements

RSF Social Investment Fund, Inc.
Statements of Financial Position
December 31, 2020, 2019, and 2018

	2020	2019	2018
ASSETS			
Cash and cash equivalents	$ 39,070,032	$ 26,363,430	$ 7,650,693
Loans receivable, net of allowance for loan losses of $5,363,142, $2,882,712, and $2,878,298 as of December 31, 2020, 2019, and 2018, respectively	100,115,920	112,704,296	124,456,573
Investments, at fair value	1,477,816	1,477,816	2,761,986
Investments, held at cost	-	-	74,233
Advances to related parties, net	11,649,412	12,331,560	20,254,693
Prepaid and other assets	117,745	-	-
Total assets	$ 152,430,925	$ 152,877,102	$ 155,198,178
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 1,290,981	$ 126,462	$ 153,932
Investor notes payable	135,818,858	127,962,089	135,190,290
Other notes payable	3,981,807	13,494,495	8,105,333
Total liabilities	141,091,646	141,583,046	143,449,555
Net assets			
Net assets without donor restrictions			
Board-designated operating reserves	2,191,807	2,181,968	-
Crisis Response Fund	10,954	-	-
Undesignated net assets	9,136,518	9,112,088	11,748,623
Total net assets	11,339,279	11,294,056	11,748,623
Total liabilities and net assets	$ 152,430,925	$ 152,877,102	$ 155,198,178

See accompanying notes to financial statements.

	2020	2019	2018
Revenues, gains and other support without donor restrictions			
Interest and fees - loans receivable	$ 6,561,447	$ 7,318,415	$ 7,225,651
Interest - related party notes receivable	156,807	166,570	138,043
Investment income (loss), net	52,272	(1,237,202)	1,674,544
Net interest on loans and investment income	6,770,526	6,247,783	9,038,238
Gifts and contributions	10,955	-	4,224
Total revenues, gains and other support without donor restrictions	6,781,481	6,247,783	9,042,462
Expenses			
Program services			
Interest expense - investor notes payable	1,080,047	1,851,042	1,340,702
Loan loss provision	1,837,703	1,078,399	600,356
Personnel costs	2,131,517	1,370,474	1,244,358
Consultants	67,187	134,468	122,094
Legal, accounting, and audit expenses	218,588	381,860	346,720
Travel expenses	4,324	51,124	46,419
Marketing expenses	35,594	54,338	49,338
Other expenses	305,892	314,558	285,611
Total program services	5,680,852	5,236,263	4,035,598
Supporting services			
Management and general	1,055,406	1,466,087	1,331,173
Total expenses	6,736,258	6,702,350	5,366,771
Changes in net assets	45,223	(454,567)	3,675,691
Net assets at beginning of year	11,294,056	11,748,623	8,072,932
Net assets at end of year	$ 11,339,279	$ 11,294,056	$ 11,748,623

RSF Social Investment Fund, Inc.
Statements of Cash Flows
Years Ended December 31, 2020, 2019, and 2018

	2020	2019	2018
Cash flows from operating activities			
Change in net assets without donor restrictions	$ 45,223	$ (454,567)	$ 3,675,691
Adjustments to reconcile change in net assets without donor restrictions to cash provided operating activities:			
Provision for loan loss reserve	1,837,703	1,078,399	600,356
Unrealized loss (gain) on investments	-	1,358,403	(1,661,265)
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(117,745)	-	247,500
Accounts payable and accrued expenses	1,164,519	(27,470)	11,088
Net cash provided by operating activities	2,929,700	1,954,765	2,873,370
Cash flows from investing activities			
Net loan principal collections (originations)	10,750,673	10,673,878	(25,659,320)
Net collections on notes receivable - related parties	682,148	7,923,133	4,197,892
Net cash provided by (used in) investing activities	11,432,821	18,597,011	(21,461,428)
Cash flows from financing activities			
Net proceeds from (payments on) investor notes payable	7,856,769	(7,228,201)	14,781,714
(Payments) proceeds on other notes payable	(9,512,688)	5,389,162	2,103,801
Net cash (used in) provided by financing activities	(1,655,919)	(1,839,039)	16,885,515
Net change in cash and cash equivalents	12,706,602	18,712,737	(1,702,543)
Cash and cash equivalents at beginning of year	26,363,430	7,650,693	9,353,236
Cash and cash equivalents and end of year	$ 39,070,032	$ 26,363,430	$ 7,650,693
Supplemental disclosures on cash-flow information			
Interest paid during the year	$ 1,296,959	$ 1,580,132	$ 1,205,369

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 mission-driven and mission-related organizations. RSF supports SIF's charitable mission by providing a way for investors to fund mission-related social enterprises. SIF intends to use investor funds to make loans to a broad range of projects in the fields of sustainable agriculture, education and the arts, and climate and environment.

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 two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available to support the operations of SIF at management's discretion; and net assets with donor restrictions, which represent resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of SIF. There were no net assets with donor restrictions as of December 31, 2020, 2019, and 2018.

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.

Loans receivable – These consist of mission-related loans made by SIF to nonprofit and for profit organizations. The loans are generally collateralized by mortgages, business assets, guaranties and pledges from individuals and 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 – 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 (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.

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.

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, and 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.

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 an organization'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.

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

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 without donor restrictions, unless there are donor-imposed restrictions on the use of the income.

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.

Revenue recognition – SIF's revenue is derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Financial Accounting Standards Board ("FASB") ASC Topic 606. SIF has no other revenue that is derived from contracts with customers that is in the scope of Topic 606.

Gifts and contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified as net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Support that is restricted by the donor 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 support with donor restrictions are 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), restricted net assets 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, 2020, 2019, and 2018, the base rate in place was 5.00%, 5.50%, and 5.25%, 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. 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. Expenses are allocated to SIF based on a determination of time and resources spent specifically on social enterprise lending activities. The percentage of expenses allocated has ranged from 10% to 90% of individual departmental expenses. There were no fundraising expenses incurred during the years ended December 31, 2020, 2019 and 2018.

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, 2020, 2019, and 2018.

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, 2020, 2019, and 2018. 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 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurements (Topic 820)*, which modifies the disclosure requirements for Fair Value Measurement, including cost and benefits. Management adopted ASU 2018-13 for the year ended December 31, 2020; however, the adoption did not have a significant impact to the 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, 2021, 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 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 activities and a related allowance for credit losses on the statement of financial position 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, 2022. 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 position 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. Management is currently evaluating the impact of adopting this guidance on SIF’s financial statements.

NOTE 3 – LOANS RECEIVABLE, NET

As of December 31, 2020, 2019, and 2018, SIF's total loan receivable are summarized by loan category in the following table:

	2020	2019	2018
Education and the arts	$ 51,373,263	$ 55,133,642	$ 64,328,867
Food and agriculture	42,821,906	44,711,327	46,732,122
Ecological stewardship	11,346,043	15,742,039	16,273,882
Subtotal	105,541,212	115,587,008	127,334,871
Allowance for loan losses	(5,363,142)	(2,882,712)	(2,878,298)
	$ 100,178,070	$ 112,704,296	$ 124,456,573

SIF extends credit to organizations that are mission-related and/or mission-driven. Interest rates offered on newly originated loans ranged from 3.00% to 10.00% during 2020, from 5.50% to 8.50% during 2019, and from 3.75% to 8.25% during 2018. Loans generally have one- to five-year terms and are fully secured by business inventory and/or other assets and personal guaranties. SIF performs ongoing credit evaluations of their borrowers, maintaining allowances for potential credit losses, when appropriate.

For certain extensions of credit, SIF may require credit enhancements, based on its assessment of a borrower's credit risk. SIF holds various types of collateral including real estate, accounts receivable, inventory, equipment, guaranties, 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, 2020, 2019, and 2018, the contractual amount of the unfunded credit commitments is approximately $15,063,000 $15,105,000, and $15,318,000, respectively.

Investors have the option to enter into a limited guaranty agreement with SIF whereby the investor noteholder pledges their investor note to cover potential loan losses in the SIF portfolio. In 2020, 2019, and 2018, SIF had in place approximately $2,125,000, $2,045,000 and $3,715,000, respectively, in limited guaranties 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, 2020, 2019, and 2018:

	2020	2019	2018
Balance at beginning of year	$ 2,882,712	$ 2,878,298	$ 2,277,942
Provision for loan losses	1,837,703	1,078,399	600,356
Recoveries (charge-offs), net	642,727	(1,073,985)	-
Balance at end of year	$ 5,363,142	$ 2,882,712	$ 2,878,298
Allowance for loan losses individually evaluated for impairment	$ 1,080,300	$ 734,526	$ 486,848
Allowance for loan losses collectively evaluated for impairment	$ 4,282,842	$ 2,148,186	$ 2,391,450

As of December 31, 2020, 2019, and 2018, 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.

The following table presents loans by class, modified as troubled debt restructurings that occurred during the years ended December 31, 2020, 2019, and 2018:

	2020				
	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	$ 11,613,158	$ 13,161,620	$ -	$ 11,953,355	$ 673,346
Food and agriculture	148,687	147,705	-	193,393	12,348
Ecological stewardship	-	-	-	-	-
Subtotal	11,761,845	13,309,325	-	12,146,748	685,694
With an allowance recorded:					
Education and the arts	4,996,393	4,896,090	928,463	4,998,190	165,881
Food and agriculture	238,240	236,988	151,837	297,217	18,325
Ecological stewardship	-	-	-	-	-
Subtotal	5,234,633	5,133,078	1,080,300	5,295,407	184,206
	$ 16,996,478	$ 18,442,403	$ 1,080,300	$ 17,442,155	$ 869,900

	2019				
	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	$ 7,426,666	$ 7,406,413	$ -	$ 7,735,199	$ 247,761
Food and agriculture	326,095	324,248	-	380,457	24,890
Ecological stewardship	-	-	-	-	-
Subtotal	7,752,761	7,730,661	-	8,115,656	272,651
With an allowance recorded:					
Education and the arts	-	-	-	-	-
Food and agriculture	-	-	-	-	-
Ecological stewardship	2,937,522	2,916,565	734,526	3,051,681	256,154
Subtotal	2,937,522	2,916,565	734,526	3,051,681	256,154
	$ 10,690,283	$ 10,647,226	$ 734,526	$ 11,167,337	$ 528,805

	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
Ecological stewardship	-	-	-	-	-
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
Ecological stewardship	-	-	-	-	-
Subtotal	2,261,893	2,257,593	486,848	2,700,355	84,848
	$ 6,506,244	$ 6,481,746	$ 486,848	$ 6,578,619	$ 257,778

Impaired loans are recorded at the lower of cost of fair value. The table below presents the balances of impaired loans measured at fair value at December 31, 2020, 2019, and 2018, on a non-recurring basis.

2020	Total	Level 1	Level 2	Level 3
Education and the arts	$ 4,068,000	$ -	$ -	$ 4,068,000
Food and agriculture	86,402	-	-	86,402
Ecological stewardship	-	-	-	-
Total	$ 4,154,402	$ -	$ -	$ 4,154,402
2019				
Education and the arts	$ -	$ -	$ -	$ -
Food and agriculture	-	-	-	-
Ecological stewardship	2,202,994	-	-	2,202,994
Total	$ 2,202,994	$ -	$ -	$ 2,202,994
2018				
Education and the arts	$ 1,414,400	$ -	$ -	$ 1,414,400
Food and agriculture	360,645	-	-	360,645
Ecological stewardship	-	-	-	-
Total	$ 1,775,045	$ -	$ -	$ 1,775,045

The following table presents loans by class, modified as troubled debt restructurings that occurred during the years ended December 31, 2020, 2019, and 2018:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2020			
Education and the arts	2	$ 465,439	$ 465,439
December 31, 2019			
Food and agriculture	2	$ 1,326,868	$ 1,326,868
December 31, 2018			
Food and agriculture	1	$ 1,207,780	$ 1,207,780

The modifications of loan terms during the years ended December 31, 2020, 2019, and 2018, included lowering principal and interest payments and payment deferrals.

There were no troubled debt restructurings for which there was a payment default within 12 months following the modification during the years ended December 31, 2020, 2019, and 2018.

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 schools was approximately 27%, 24%, and 29% at December 31, 2020, 2019, and 2018, 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 that 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 gross loan portfolio allocated by management's internal risk ratings at December 31, 2020, 2019, and 2018:

	Education and the Arts	Food and Agriculture	Climate and Environment	Total
2020				
Grade:				
Pass	$ 12,192,543	$ 15,500,543	$ 6,132,185	$ 33,825,271
Watch list/special mention	26,340,968	26,934,436	5,213,858	58,489,262
Substandard	5,436,276	148,687	-	5,584,963
Doubtful	7,403,476	238,240	-	7,641,716
Loss	-	-	-	-
Total	$ 51,373,263	$ 42,821,906	$ 11,346,043	$ 105,541,212
2019				
Grade:				
Pass	$ 41,292,720	$ 40,642,648	$ 12,804,518	$ 94,739,886
Watch list/special mention	8,616,266	3,742,584	-	12,358,850
Substandard	3,027,465	326,095	2,937,521	6,291,081
Doubtful	2,197,191	-	-	2,197,191
Loss	-	-	-	-
Total	$ 55,133,642	$ 44,711,327	$ 15,742,039	$ 115,587,008
2018				
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

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2020, 2019, and 2018:

	30 to 89 Days Past Due	90 days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2020						
Education and the arts	$ -	$ -	$ 3,129,285	$ 3,129,285	$ 48,243,978	$ 51,373,263
Food and agriculture	-	-	-	-	42,821,906	42,821,906
Climate and environment	-	-	-	-	11,346,043	11,346,043
Total	$ -	$ -	$ 3,129,285	$ 3,129,285	$ 102,411,927	$ 105,541,212
2019						
Education and the arts	$ -	$ -	$ 3,412,882	$ 3,412,882	$ 51,720,760	$ 55,133,642
Food and agriculture	-	-	-	-	44,711,327	44,711,327
Climate and environment	-	-	-	-	15,742,039	15,742,039
Total	$ -	$ -	$ 3,412,882	$ 3,412,882	$ 112,174,126	$ 115,587,008
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
Climate and environment	-	-	-	-	16,273,882	16,273,882
Total	$ -	$ -	$ 3,532,226	$ 3,532,226	$ 123,802,645	$ 127,334,871

NOTE 4 – INVESTMENTS

Fair value, cost and unrealized gains at December 31, 2020, 2019, and 2018, were as follows:

	Fair Value	Cost	Accumulated Unrealized Gain
2020			
Corporate securities	$ 1,477,816	$ 1,162,045	$ 315,771
Total	$ 1,477,816	$ 1,162,045	$ 315,771
2019			
Corporate securities	$ 1,477,816	$ 1,162,045	$ 315,771
Total	$ 1,477,816	$ 1,162,045	$ 315,771
2018			
Corporate securities	$ 2,761,986	$ 1,162,045	$ 1,599,941
Total	$ 2,761,986	$ 1,162,045	$ 1,599,941

The balances of assets measured at fair value at December 31, 2020, 2019, and 2018, on a recurring basis were as follows:

	Total	Level 1	Level 2	Level 3
2020				
Corporate securities	$ 1,477,816	$ -	$ -	$ 1,477,816
2019				
Corporate securities	$ 1,477,816	$ -	$ -	$ 1,477,816
2018				
Corporate securities	$ 2,761,986	$ -	$ -	$ 2,761,986

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.

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.

There are no unfunded commitments in Level 3 investments as of December 31, 2020, 2019, or 2018.

NOTE 5 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects SIF's financial assets as of December 31, 2020, 2019, and 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, 2020, 2019, and 2018 :

	2020	2019	2018
Financial assets			
Cash and cash equivalents	$ 39,070,032	$ 26,363,430	$ 7,650,693
Mission related loans and investments:			
Loans receivable, net of allowance for loan losses	100,115,920	112,704,296	124,456,573
Investments, at fair value	1,477,816	1,477,816	2,761,986
Investments, at cost	-	-	74,233
Advances to related parties and other receivables	11,649,412	12,331,560	20,254,693
Financial assets	$ 152,313,180	$ 152,877,102	$ 155,198,178
Less those unavailable for general expenditure within one year, due to:			
Principal receivable from loans after December 31, 2021	77,116,506	85,152,116	111,369,664
Loan fees receivable after December 31, 2021	-	-	116
Illiquid investments, at fair value	1,477,816	1,477,816	2,761,986
Illiquid investments, at cost	-	-	74,233
Advances to related parties and other receivables	11,649,412	12,331,560	20,254,693
Financial assets available to meet cash needs for general expenditures within one year	$ 62,069,446	$ 53,915,610	$ 20,737,486

In addition to the financial assets available in the table above, SIF had approximately $2,125,000 in limited loan guaranties as of December 31, 2020. Management structures SIF's financial assets to be available for general expenditures, including SIF investor notes payable redemptions and borrower draws on lines of credit, liabilities, and other obligations as they 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.

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

At December 31, 2020, 2019, and 2018, SIF had investor notes payable totaling $135,818,858, $127,962,089, and $135,190,290, respectively, with effective interest rates of 0.50%, 1.25% and 1.00% 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 philanthropic assets in SIF investor notes. At December 31, 2020, 2019, and 2018, RSF investment balances in SIF Investor Notes Program totaled $2,000,000, $3,310,943, and $13,872,771, 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 9.9 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.

Other notes payable – Other notes payable consists of notes with maturities greater than one year. Other notes payable comprised the following notes for the years ended December 31, 2020, 2019, and 2018. All unpaid principal balance and accrued interest are due upon maturity.

Issued	Original Principal Amount	Maturity Date	Interest Rate	Outstanding Balance at December 31, 2020	2019	2018
December 2016	$ 8,000,000	December 2021	2.00%	$ -	$ 8,000,000	$ 8,105,333
June 2019	$ 2,671,807	June 2022	2.50%	2,671,807	2,671,807	-
May 2019	$ 310,000	May 2022	2.00%	310,000	310,000	-
January 2019	$ 500,000	December 2021	2.25%	500,000	500,000	-
July 2019	$ 2,000,000	June 2021	1.25%	-	2,012,688	-
October 2019	$ 500,000	October 2022	2.50%	500,000	-	-
				$ 3,981,807	$ 13,494,495	$ 8,105,333

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

NOTE 7 – RELATED-PARTY TRANSACTIONS

Advances due from (due to) related parties, net as of December 31:

	2020	2019	2018
Advances due from RSF	$ 46,609,770	$ 47,683,199	$ 56,728,441
Advances due to RSF	(32,069,191)	(32,460,472)	(34,505,399)
Advances due from RSF Capital Management, PBC	-	-	200,000
Advances due to RSF Capital Management, PBC	(2,891,167)	(2,891,167)	(2,168,349)
Total Advances due from related parties, net	$ 11,649,412	$ 12,331,560	$ 20,254,693

Advances due from (due to) related parties are unsecured. Net interest income from related parties for the years ended December 31, 2020, 2019, and 2018, was $156,807, $166,570, and $138,043, 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 that appropriately reflects each entity's respective share of these costs. Total overhead costs reimbursed to RSF for the years ended December 31, 2020, 2019, and 2018, were approximately $3,487,000, $3,079,000, and $3,346,000, respectively.

Cash and cash equivalents – SIF has two deposit accounts with Amalgamated Bank, formerly New Resource Bank (NRB). Mark Finser, RSF Board Member and former RSF Board Chair, is a founder and chairman of NRB. Upon Amalgamated Bank's acquisition of NRB in 2018, Mr. Finser became a director of Amalgamated Bank. The balances of the accounts were approximately $5,008,000, $4,998,000, and $3,873,000 at December 31, 2020, 2019, and 2018, respectively.

Investor notes payable – Investor notes payable includes approximately $910,000, $1,009,000, and $442,000 owed to Trustees and employees as of December 31, 2020, 2019, and 2018, respectively. SIF's parent company, RSF, also invests a portion of philanthropic assets in SIF investor notes. See Note 6 – Notes Payable for additional information.

NOTE 8 – RISKS AND UNCERTAINTIES

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, 2020, 2019, and 2018. At various times during the years 2020, 2019, and 2018, 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.

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.

Impact from Coronavirus Outbreak

An outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. In addition, the Federal Open Market Committee of the United States Federal Reserve System lowered the federal funds target rate by 1.50%, reduced the rate for discount window loans, and took other actions to promote the stability of the financial system.

The duration and intensity of the impact of the coronavirus and resulting impact on the SIF is unknown. A broad-based reduction in interest rates may reduce SIF's interest income and/or net interest margin, may result in increased prepayments of mortgage loans, and may cause investors to redeem notes, thereby impacting SIF's liquidity. A reduction in economic output or a recession in the U.S. economy, both of which appear probable as a result of the pandemic, may also result in a decreased valuation of investments held by SIF.

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 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 29, 2021, the date the financial statements were available to be issued, and has determined that there are no other subsequent events that require additional recognition or disclosure.

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