

SFMADE, INC. AND SUBSIDIARIES

DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

SFMade, Inc. and Subsidiaries

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Independent Auditors' Report

THE BOARD OF DIRECTORS
SFMADE, INC. AND SUBSIDIARIES
San Francisco, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **SFMADE, INC. AND SUBSIDIARIES** (collectively referred to as "**SFMade**"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SFMade's preparation and fair presentation of the consolidated 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 SFMade's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SFMade and its subsidiaries as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Handwritten signature of Hood & Strong LLP in cursive script.

San Francisco, California
July 16, 2020

SFMade, Inc. and Subsidiaries

Consolidated Statement of Financial Position

December 31, 2019

Assets

Current Assets:

Cash and cash equivalents	\$ 2,274,932
Accounts, contributions, and other receivables	627,354
Prepaid expenses and other assets	38,692

Total current assets	2,940,978
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Loans receivable, net	16,706,080
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Property and Equipment, net	36,714,366
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Total assets	\$ 56,361,424
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Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued expenses	\$ 182,133
Construction costs payable	464,188

Total current liabilities	646,321
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Long-Term Liabilities:

Loans payable, less unamortized deferred loan costs	32,291,688
Tenant security deposits	330,646

Total liabilities	33,268,655
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Net Assets:

Without donor restrictions	22,660,303
With donor restrictions	432,466

Total net assets	23,092,769
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Total liabilities and net assets	\$ 56,361,424
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See accompanying notes to the consolidated financial statements.

SFMade, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Grants and contributions	\$ 443,244	\$ 534,550	\$ 977,794
Government grants	1,018,255		1,018,255
Special events	274,051		274,051
Program revenue:			
Manufacturing sector services	123,435		123,435
Affordable industrial space development	36,838		36,838
Rental income	1,362,598		1,362,598
Interest income	562,718		562,718
	3,821,139	534,550	4,355,689
Net assets released from restrictions	222,307	(222,307)	-
Total support and revenue	4,043,446	312,243	4,355,689
Expenses:			
Program services:			
Policy and practice	1,660,871		1,660,871
Affordable industrial space	2,280,321		2,280,321
Total program services	3,941,192		3,941,192
General and administrative	364,692		364,692
Fundraising	299,371		299,371
Total expenses	4,605,255	-	4,605,255
Changes in Net Assets	(561,809)	312,243	(249,566)
Net Assets, Beginning of Year	23,222,112	120,223	23,342,335
Net Assets, End of Year	\$ 22,660,303	\$ 432,466	\$ 23,092,769

See accompanying notes to the consolidated financial statements.

SFMade, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	2019			
	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 1,062,826	\$ 152,367	\$ 138,673	\$ 1,353,866
Payroll taxes and benefits	136,884	26,166	18,512	181,562
Total salaries, payroll taxes and benefits	1,199,710	178,533	157,185	1,535,428
Interest	1,060,783	973	1,298	1,063,054
Consultants and contractors	276,562	17,194		293,756
Property management expenses	310,272			310,272
Depreciation and amortization	513,882	1,015	1,354	516,251
Accounting and auditing		104,354		104,354
Property tax	201,874	400	533	202,807
Marketing	11,691	41,249	7,617	60,557
Events	7,373		109,965	117,338
Legal	17,554	1,691	2,255	21,500
Travel	29,818	3,287	4,383	37,488
Occupancy	14,106	1,607	2,143	17,856
Insurance	41,824	5,457	730	48,011
Other expenses	28,411	2,934	3,910	35,255
Grants	170,725			170,725
Office expenses	18,571	1,665	2,220	22,456
Information technology	29,564	3,368	4,491	37,423
Conferences, conventions, and meetings	8,472	965	1,287	10,724
Total expenses	\$ 3,941,192	\$ 364,692	\$ 299,371	\$ 4,605,255

See accompanying notes to the consolidated financial statements.

SFMade, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31, 2019

Cash Flows from Operating Activities:

Change in net assets	\$ (249,566)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	496,001
Amortization of loan issuance costs	20,250
Changes in assets and liabilities:	
Receivables	(326,470)
Prepaid expenses and other assets	1,962
Tenant security deposits	(10,416)
Accounts payable and accrued expenses	(15,620)

Net cash used by operating activities (83,859)

Cash Flows from Investing Activities:

Purchase of property and equipment	(876,316)
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Net cash used by investing activities (876,316)

Cash Flows from Financing Activities:

Payments on line of credit	(150,000)
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Net cash used by financing activities (150,000)

Net Decrease in Cash and Cash Equivalents (1,110,175)

Cash and Cash Equivalents, Beginning of Year 3,385,107

Cash and Cash Equivalents, End of Year \$ 2,274,932

Supplemental Disclosure of Cash Paid:

Interest	\$ 1,064,003
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Supplemental Schedule of Noncash Operating, Investing, and Financing Activities:

Acquisition of property and equipment included in payables	\$ 464,188
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See accompanying notes to the consolidated financial statements.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 - Nature of the Organization:

SFMade, Inc. was established in 2010 as an independent nonprofit organization to build and support a vibrant manufacturing sector in San Francisco that sustains companies producing locally-made products, encourages entrepreneurship and innovation, and creates employment opportunities for a diverse local workforce. SFMade, Inc. engages directly with entrepreneurs and growing small companies, all of whom are headquartered in and manufacture within San Francisco, offering industry-specific education, networking opportunities, and connecting these companies to powerful local resources through collaboration with various funding and strategic partners that are some of San Francisco's most established and effective organizations.

SFMade, Inc. collaborates with various funding and strategic partners to establish and deliver innovative programs for manufacturers, offers education to the general public, and provides new economic policy insight to the City, the Region, the State, and beyond. SFMade, Inc.'s main sources of revenue are from government grants and corporate and private contributions.

In 2017, building on SFMade, Inc.'s regional policy collaboration efforts, the organization engaged with the city of San Jose, existing funding and strategic partners, and new collaborators to create the Manufacture: San Jose Program. This program has the goal to drive resources, knowledge, and visibility to the city's manufacturers by leveraging SFMade, Inc.'s existing programs and expertise.

PlaceMade, Inc. (PlaceMade) was founded in 2013 with fiscal sponsorship by SFMade, Inc. through July 2015 at which time it obtained its 501(c)(3) exemption determination as a supporting organization of SFMade, Inc. PlaceMade accomplishes its mission through strategic collaborations with the public and private sectors to design, build, renovate, and rent modern, affordable industrial space for manufacturers and other related industrial users in the City of San Francisco. SFMade, Inc.'s Board of Directors appoints the PlaceMade's Board of Directors and SFMade, Inc. has an economic interest in PlaceMade therefore PlaceMade has been consolidated with SFMade, Inc. Certain staff and directors of SFMade, Inc. also serve as directors and board members of PlaceMade.

150 Hooper, Inc. (150 Hooper) was founded in 2017 to acquire and complete construction on a project then in-construction at 150 Hooper Street in San Francisco. Beginning September 2018, 150 Hooper rents the industrial space on an affordable basis to manufacturers and other related industrial users. 150 Hooper was formed as a separate California public benefit corporation. SFMade, Inc.'s Board of Directors may appoint two of the five members of the 150 Hooper Board of Directors, SFMade, Inc. controls the operations through common management and SFMade, Inc. has an economic interest in 150 Hooper. Certain staff and directors of SFMade, Inc. also serve as directors and board members of 150 Hooper.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies:

a. Method of Accounting

The consolidated financial statements have been prepared on the accrual basis. The accounts are maintained in accordance with accounting principles generally accepted in the United States of America relevant to nonprofit organizations.

b. Principles of Consolidation

The consolidated financial statements include the accounts of SFMade, Inc., PlaceMade, and 150 Hooper, collectively SFMade. All significant intercompany accounts have been eliminated in consolidation.

c. Description of Net Assets

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SFMade's management and the board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SFMade or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

SFMade has no net assets with donor restrictions of a perpetual nature at December 31, 2019.

d. Contributions, Grants and Receivables

Contributions and grants are recognized at their fair value when the donor makes an unconditional promise to give to SFMade. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. As restrictions are fulfilled, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets. If a restriction is fulfilled in the same fiscal year in which the contribution is received, SFMade classifies the support as net assets without donor restrictions.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

A portion of SFMade's revenue is derived from cost-reimbursable government grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as without donor restrictions revenue when SFMade has incurred expenditures in compliance with specific contract or grant provisions. Amounts expended in excess of reimbursements are reported as receivables until reimbursed in the consolidated statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Government grants and contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. SFMade received cost-reimbursable grants of approximately \$550,800, of which no amounts had been received in advance, that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred. There were no other conditional promises to give at December 31, 2019.

SFMade reviews individual receivable balances at year end to evaluate the appropriate allowance based on subsequent collection and historical collection experience with the donors for uncollectible receivables and contributions. Management has deemed all receivables to be fully collectible and therefore no allowance for doubtful accounts has been provided. At December 31, 2019, contributions, grants and other receivables are expected to be collected within the subsequent fiscal year.

e. Program Revenue

Manufacturing sector services and affordable industrial space development program revenue consists of fees for educational workshops and consulting services. Consulting service revenue is recognized over time as the customer consumes the benefits of the consulting services SFMade performs. Educational workshops are recognized when the performance obligation of providing the educational workshop is satisfied. Rental income program revenue is recognized straight line over the term of the lease, based upon signed lease agreements which stipulate the amounts due monthly.

f. Cash Equivalents

Cash equivalents include funds held in interest-bearing checking accounts. During the year ended December 31, 2019, SFMade regularly held cash deposits in excess of federally insured limits.

Certain cash balances are restricted under the New Market Tax Credit agreements as disclosed in Note 6.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

g. Prepaid Expenses and Other Assets

Prepaid expenses and other assets include deposits and other prepaid operating expenses.

h. Property and Equipment

Property and equipment are recorded at cost and are depreciated on the straight-line basis over their estimated useful lives, which range from three to forty years. Donated items are capitalized at the estimated fair value at the date of contribution and are depreciated over their estimated useful lives. Major additions and betterments costing more than \$500 are capitalized. Maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the accounts and gain or loss, if any, is reflected in the consolidated statement of activities and change in net assets in the year of retirement or disposal. The carrying value of all long-lived assets is evaluated periodically to determine if an adjustment to the useful life or to the undepreciated balance is warranted.

i. Tenant security deposits

Tenant security deposits consist of cash received from tenants as refundable security deposits in accordance with signed lease agreements.

j. Contributed Services and Goods

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

A number of volunteers have donated significant amounts of time in SFMade's program services. The value of donated volunteer services has not been recognized in the accompanying consolidated financial statements because such volunteer services do not meet the above-mentioned criteria.

k. Functional Expense Allocations

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses such as salaries, benefits, occupancy, legal services, office expenses, insurance, and other are allocated among program, general and administrative, and fundraising based on the time and effort method of allocation. Depreciation, interest, and property tax expenses related to 150 Hooper are considered program while all other of these type of expenses are allocated among program, general and administrative, and fundraising based on the time and effort method of allocation.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

l. Income Taxes

SFMade, Inc., PlaceMade, and 150 Hooper are exempt from income tax on related income under the Internal Revenue Code, Section 501(c)(3) and the California tax code. Accordingly, no provision for income taxes has been reflected in these consolidated financial statements. SFMade follows the guidance on accounting for uncertainty in income taxes issued by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. As of December 31, 2019, management evaluated SFMade's tax positions and concluded that SFMade, Inc., PlaceMade, and 150 Hooper had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

m. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

n. Recent Accounting Pronouncements

Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU provide that revenue should be recognized 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. In August 2015, the FASB deferred the effective date for nonpublic entities to annual periods beginning after December 15, 2018. SFMade adopted the ASU effective January 1, 2019 and the adoption of this ASU did not have a material effect on SFMade's consolidated financial statements.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The guidance in this ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. SFMade adopted the ASU effective January 1, 2019 and applied the new guidance to grants received beginning at that date.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for SFMade, since it is not deemed a public business entity, for its fiscal year beginning after December 15, 2019, and for interim periods beginning after December 15, 2020 with early application permitted. In June 2020, the FASB deferred the effective date to fiscal years beginning after December 15, 2021. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs. SFMade is currently evaluating the impact of this pronouncement.

o. Subsequent Events

An outbreak of respiratory disease caused by a novel (new) coronavirus was first detected in China and has now been detected in more than 200 locations internationally, including in the United States. The virus has been named “SARS-CoV-2” and the disease it causes has been named “coronavirus disease 2019” (abbreviated “COVID-19”). On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Many Federal, state and local governmental agencies have declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. SFMade continues to provide its manufacturing sector services and its staff have transitioned to remote working arrangements. Tenants of the affordable industrial space that were uncertain if they were going to be able to pay their rent received certain government subsidies available through the CARES ACT. In addition, financial market volatility and the unknown economic impact may negatively affect foundation, individual donations and earned revenue derived from strategic partnerships. At this point the extent to which COVID-19 may impact SFMade's financial condition or results of operations is uncertain.

SFMade evaluated subsequent events from December 31, 2019 through July 16, 2020, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements, except as disclosed above and in Note 8.

Note 3 - Availability and Liquidity:

The following represents SFMade's financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,274,932
Accounts, contributions, and other receivables	627,354
Loans receivable, net	16,706,080
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Total financial assets	19,608,366
Amounts not available to be used within one year:	
Net assets with donor restrictions	432,466
Less net assets with purpose restrictions to be met in one year	(432,466)
Long term loans receivables	(16,706,080)
Contractual imposed restrictions:	
Restricted cash accounts under the New Market	
Tax Credit agreements	(1,425,000)
Tenant security deposits	(331,000)
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	(18,462,080)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,146,286
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SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

SFMade's cash flows have seasonal variations during the year attributable to corporate grant timing, reimbursement from government contracts, and the concentration of contributions received for fundraising events. As part of its liquidity plan, SFMade has a \$150,000 line of credit available to meet cash flow needs (See Note 8). There was no outstanding balance at December 31, 2019.

Note 4 - Property and Equipment:

Property and equipment at December 31, 2019 was comprised of the following:

Land	\$ 13,471,100
Building and improvements	23,816,508
Furniture and equipment	121,069
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Subtotal	37,408,677
Less accumulated depreciation	(694,311)
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Total	\$ 36,714,366

In 2018, SFMade purchased 150 Hooper Street which comprises all the building and improvements and land held by SFMade on the statement of financial position, as discussed in Note 6. The building was placed in service on September 1, 2018. Pursuant to the Agreement of Purchase and Sale and Joint Escrow Instructions and the First Amendment to Agreement of Purchase and Sale and Joint Escrow Instructions agreements, SFMade is prohibited from selling or otherwise transferring all or a controlling interest to any third party at any time prior to the fifth anniversary of the purchase date. The Agreement also includes a profit participation fee clause which would be payable if the building is sold prior to twenty years after the closing date of the purchase.

Depreciation expense totaled \$496,001 for the year ended December 31, 2019. Property and equipment are collateral for the debt agreements as described in Notes 6, 7, and 8.

Note 5 - Net Assets With Donor Restrictions:

As of December 31, 2019, net assets with donor restrictions are available for the following purposes or periods:

San Jose region	\$ 422,916
Time	9,550
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	\$ 432,466

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events as follows, during the year ended December 31, 2019:

San Jose region	\$ 198,007
Time	24,300
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	\$ 222,307

Note 6 - New Market Tax Credit Structure:

In March 2018, PlaceMade received approximately \$8,300,000 in net proceeds from financing agreements related to the purchase of and capital expenditures at 150 Hooper Street in San Francisco. This financing arrangement was structured with a third party financial institution (the “NMTC Investor”) associated with Capital One, N.A., an investment fund, and two community development entities (the “CDEs”) majority owned by the investment fund. This transaction was designed to qualify under the federal New Market Tax Credit (“NMTC”) program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended. Through this transaction, PlaceMade has secured low interest financing and the potential for future debt forgiveness related to the building at 150 Hooper Street. Upon closing of the NMTC transaction, PlaceMade provided an aggregate of \$16,706,080, of which \$8,700,000 was borrowed from Northern California Community Loan Fund (NCCLF) (Note 7) and the remainder from a private contribution of \$10,000,000, to the investment fund, in the form of a loan receivable, with a term of 40 years, bearing an interest rate of 3.3679% per annum. This \$16,706,080 in proceeds plus \$8,278,920 of net capital from the NMTC Investor were contributed to and used by the CDEs to make loans in the aggregate of \$23,698,000 to another subsidiary of SFMade, 150 Hooper. These loans bear interest at a fixed rate of 2.3930% and are due March 2058. 150 Hooper used the loan proceeds to purchase the building at 150 Hooper Street and complete the construction. These capital assets will serve as collateral to the financing arrangement. The balance of the loan funds remaining at December 31, 2019 of approximately \$1,425,000 is restricted and included in cash and cash equivalents in the accompanying consolidated statement of financial position. This transaction also includes a put/call feature whereby, at the end of a seven-year compliance period, PlaceMade may be obligated or entitled to repurchase the NMTC Investor’s interest in the investment fund. The value attributable to the put price is nominal. Consequently, if exercised, the put could result in the forgiveness of the NMTC Investor’s interest in the investment fund, and result in a net non-operating gain of up to \$6,991,920. The call price will be valued at the net present value of the cash flows of the lease inherent in the transaction.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The NMTC Investor is subject to 100% recapture of the New Market Tax Credits it receives for a period of seven years as provided in the Internal Revenue Code and applicable U.S. Treasury regulations. PlaceMade is required to follow various regulations and contractual provisions that apply to the New Market Tax Credit arrangement. Noncompliance with applicable requirements could result in the NMTC Investor's projected tax benefits not being realized and, therefore, require PlaceMade to indemnify the NMTC Investor for any loss or recapture of New Market Tax Credits related to the financing until such time as the recapture provisions have expired under the applicable statute of limitations. PlaceMade does not anticipate any credit recapture will be required in connection with this financing arrangement.

Note 7 - Loans Payable:

On March 28, 2018, PlaceMade entered into a loan agreement with Northern California Community Loan Fund, Inc., for \$8,700,000, bearing interest at 5.50% per annum. PlaceMade is required to make monthly payments of interest only for twenty four-months after commencement of the loan. After twenty four-months, payments of interest and principal are due monthly based on a thirty year amortization through March 28, 2025, the maturity date, when the remaining principal balance along with all accrued but unpaid interest is due. The loan contains certain non-financial covenants, restrictions on additional borrowings without prior approval, and is secured by a first deed of trust on the 150 Hooper building. The loan proceeds were required to be used towards the investment fund loan in the aggregate principal amount of \$16,706,080. See Note 6.

Loans payable as of December 31, 2019 consist of the following:

NCCLF loan, 5.50% interest, maturity of March 28, 2025	\$ 8,700,000
CDE loans (See Note 6)	23,698,000
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	32,398,000
Less unamortized debt issuance costs	(106,312)
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Total	\$ 32,291,688

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The future schedule of principal payments as of December 31, 2019 is summarized as follows:

Year Ending December 31,	NCCLF	CDEs	Total
2020	\$ 85,000		\$ 85,000
2021	121,000		121,000
2022	128,000		128,000
2023	135,000		135,000
2024	141,000		141,000
Thereafter	8,090,000	\$ 23,698,000	31,788,000
Total	\$ 8,700,000	\$ 23,698,000	\$ 32,398,000

Note 8 - Commitments and Contingencies:

Government Grants

Government grants and contracts require the fulfillment of certain conditions as set forth in the agreements and are subject to audit and final acceptance by the government agency. SFMade does not believe the results of any audits or actions by government agencies in relation to grants recorded will have a material impact on the consolidated statement of financial position or consolidated statement of activities and changes in net assets at December 31, 2019.

Line of Credit

During 2019, SFMade, Inc.'s existing revolving line of credit agreement of \$150,000 was amended and renewed as of August 2, 2018 with an effective date of April 15, 2018 between Amalgamated Bank successor by merger to New Resource Bank. The interest rate is Prime plus 1.50%, but not less than 6.00%, expiring April 15, 2019. In 2019, the term of the agreement was extended until April 15, 2020. The interest rate at December 31, 2019 was 6.25%. There was no outstanding balance at December 31, 2019. Subsequent to year end, the line of credit was not renewed.

Any borrowings are collateralized by substantially all assets of SFMade, Inc. Under the terms of the line of credit agreement, SFMade, Inc. is required to maintain certain financial ratios and comply with certain other covenants. As of December 31, 2019, SFMade, Inc. was in compliance with the terms of the agreement from Amalgamated Bank.

Subsequent to year end, SFMade entered into a line of credit of \$300,000 with Signature Bank with an effective date of May 7, 2020. The interest rate is Prime minus 0.50%, expiring May 6, 2021. Any borrowings are collateralized by substantially all assets of SFMade. Under the terms of the line of credit agreement, SFMade is required to maintain certain financial ratios and comply with certain other covenants.

SFMade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 - Concentration of Credit Risk:

SFMade's operations are subject to several risks and uncertainties, including, but not limited to, risks associated with the cyclical nature of real estate operations and the geographic concentration of SFMade's operations.

Note 10 - Leasing Arrangements:

SFMade receives rental income from tenants under non-cancelable operating leases through June 30, 2031. Approximate minimum annual rentals under operating leases in affect at December 31, 2019, for the next five years and thereafter are as follows:

Year Ending	
December 31,	
2020	\$ 1,488,000
2021	1,150,000
2022	645,000
2023	557,000
2024	97,000
Thereafter	686,000
	<hr/>
	\$ 4,623,000

Note 11 - Related Party Transactions:

At December 31, 2019, contributions receivable from members of the Board of Directors and the corporations by whom they are employed totaled approximately \$4,000. For the year ended December 31, 2019, contributions from members of the Board of Directors and the corporations by whom they are employed totaled approximately \$80,500. For the year ended December 31, 2019, SFMade made payments of approximately \$1,600 to vendors who employ members of the Board of Directors and \$0 in accounts payable and accrued expenses as of December 31, 2019.

Certain members of the Board of Directors are affiliated with professional service firms providing services to SFMade.

Note 12 - Retirement Plan:

In 2016, SFMade adopted a Savings Incentive Match Plan under Section 408(p) of the Internal Revenue Code. Effectively, all employees are eligible to participate in the plan and may defer a portion of salary. SFMade will make a matching contribution of employee contributions up to 3% of the employee's compensation. SFMade's contribution was approximately \$27,300 for the year ended December 31, 2019.

SFMade, Inc. and Subsidiaries
Consolidating Statement of Financial Position
(See Independent Auditors' Report)

December 31, 2019

	<u>SFMade, Inc.</u>	<u>PlaceMade, Inc.</u>	<u>150 Hooper, Inc.</u>	<u>Eliminations</u>	<u>Total Consolidating</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 102,146	\$ 329,673	\$ 1,843,113		\$ 2,274,932
Accounts, contributions, and other receivables	446,943	9,751	170,660		627,354
Related party accounts/loan receivable	159,406			\$ (159,406)	-
Prepaid expenses and other assets	23,048	2,649	12,995		38,692
Total current assets	731,543	342,073	2,026,768	(159,406)	2,940,978
Loans receivable, net		16,706,080			16,706,080
Property and equipment, net	29,109		36,685,257		36,714,366
Total assets	\$ 760,652	\$ 17,048,153	\$ 38,712,025	\$ (159,406)	\$ 56,361,424
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 110,901	\$ 46,745	\$ 24,487		\$ 182,133
Construction costs payable			464,188		464,188
Related party accounts/loan payable		154,279	5,127	\$ (159,406)	-
Total current liabilities	110,901	201,024	493,802	(159,406)	646,321
Long-Term Liabilities:					
Loans payable, less unamortized deferred loan costs		8,593,688	23,698,000		32,291,688
Tenant security deposits			330,646		330,646
Total liabilities	110,901	8,794,712	24,522,448	(159,406)	33,268,655
Net Assets:					
Without donor restrictions	217,285	8,253,441	14,189,577		22,660,303
With donor restrictions	432,466				432,466
Total net assets	649,751	8,253,441	14,189,577	-	23,092,769
Total liabilities and net assets	\$ 760,652	\$ 17,048,153	\$ 38,712,025	\$ (159,406)	\$ 56,361,424

SFMade, Inc. and Subsidiaries

Consolidating Statement of Activities and Changes in Net Assets (See Independent Auditors' Report)

Year Ended December 31, 2019

	SFMade, Inc.	PlaceMade, Inc.	150 Hooper, Inc.	Eliminations	Total Consolidating
Support and Revenue:					
Grants and contributions	\$ 977,794		\$ 68,984	\$ (68,984)	\$ 977,794
Government grants	1,018,255				1,018,255
Special events	274,051				274,051
Program revenue:					
Manufacturing sector services	123,435				123,435
Affordable industrial space development		\$ 349,088		(312,250)	36,838
Rental income			1,417,186	(54,588)	1,362,598
Interest income	68	562,650			562,718
Total support and revenue	2,393,603	911,738	1,486,170	(435,822)	4,355,689
Expenses:					
Program services:					
Policy and practice	1,660,871				1,660,871
Affordable industrial space		625,833	2,009,863	(355,375)	2,280,321
Total program services	1,660,871	625,833	2,009,863	(355,375)	3,941,192
General and administrative	365,606		72,983	(73,897)	364,692
Fundraising	305,921			(6,550)	299,371
Total expenses	2,332,398	625,833	2,082,846	(435,822)	4,605,255
Changes in Net Assets	61,205	285,905	(596,676)	-	(249,566)
Net Assets, Beginning of Year	588,546	7,967,536	14,786,253	-	23,342,335
Net Assets, End of Year	\$ 649,751	\$ 8,253,441	\$ 14,189,577	\$ -	\$ 23,092,769