

**SOCIAL FINANCE, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

SOCIAL FINANCE, INC. AND AFFILIATES

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses - 2016	5
Consolidated Statement of Functional Expenses - 2015	6
Consolidated Statements of Changes in Net Assets	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 17
SUPPLEMENTARY INFORMATION:	
Consolidating Statement of Financial Position - 2016	18
Consolidating Statement of Financial Position - 2015	19
Consolidating Statement of Activities – Unrestricted - 2016	20
Consolidating Statement of Activities – Unrestricted - 2015	21
Consolidating Statements of Changes in Net Assets	22
Consolidating Statement of Cash Flows - 2016	23
Consolidating Statement of Cash Flows - 2015	24



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Social Finance, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Social Finance, Inc. (a not-for-profit organization) and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Social Finance, Inc. and Affiliates as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information 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 information has been subjected to the auditing procedures applied in the audits 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.

MBAF CPAs, LLC

New York, NY
May 1, 2017

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
Cash	\$ 9,631,119	\$ 12,375,539
Restricted cash (Social Impact Bond first-loss guarantee)	1,320,200	1,320,200
Restricted cash - CT escrow	2,300,427	-
Grants and accounts receivable	528,789	429,253
Prepaid expenses	265,047	33,323
Security deposit	72,101	127,101
Property and equipment, net	52,995	34,554
	\$ 14,170,678	\$ 14,319,970
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 746,650	\$ 722,202
Deferred rent	66,810	-
Deferred revenue	41,667	28,125
Loans payable and accrued interest	1,525,512	-
Social Impact Bond first-loss guarantee	1,320,200	1,320,200
Deferred CT outcome payment	2,300,000	-
	6,000,839	2,070,527
NET ASSETS		
Unrestricted net assets		
Controlling	4,626,849	6,036,320
Non-controlling	3,179,880	5,991,463
	7,806,729	12,027,783
Total unrestricted net assets	7,806,729	12,027,783
Temporarily restricted net assets	363,110	221,660
	8,169,839	12,249,443
TOTAL NET ASSETS	8,169,839	12,249,443
TOTAL LIABILITIES AND NET ASSETS	\$ 14,170,678	\$ 14,319,970

The accompanying notes are an integral part of the consolidated financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Foundation grants	\$ 2,832,445	\$ 1,572,898
Individual donations	514,775	548,050
Social investment and advisory fees	956,310	2,020,596
In-kind contributions	599,314	651,049
Other income	18,070	8,137
Net assets released from restrictions	<u>208,550</u>	<u>579,487</u>
TOTAL SUPPORT AND REVENUES	<u>5,129,464</u>	<u>5,380,217</u>
EXPENSES		
Program:		
Social investment	6,771,495	6,742,661
Advisory services	991,852	1,010,465
Market education	<u>503,551</u>	<u>551,786</u>
	8,266,898	8,304,912
Support:		
General and administrative	937,624	711,958
Fundraising	<u>145,996</u>	<u>58,487</u>
TOTAL EXPENSES	<u>9,350,518</u>	<u>9,075,357</u>
CHANGE IN NET ASSETS - UNRESTRICTED	<u>(4,221,054)</u>	<u>(3,695,140)</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUES		
Foundation grants	350,000	-
Net assets released from restrictions	<u>(208,550)</u>	<u>(579,487)</u>
CHANGE IN NET ASSETS - TEMPORARILY RESTRICTED	<u>141,450</u>	<u>(579,487)</u>
TOTAL CHANGE IN NET ASSETS		
Consolidated	(4,079,604)	(4,274,627)
Less: Loss attributable to non-controlling interest	<u>(2,811,583)</u>	<u>(4,021,755)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO SOCIAL FINANCE, INC.	<u>\$ (1,268,021)</u>	<u>\$ (252,872)</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services			Total
	Social Investment	Advisory Services	Market Education	Total Program	General and Administrative	Fundraising	
FUNCTIONAL EXPENSES							
Salaries	\$ 1,699,150	\$ 674,811	\$ 294,145	\$ 2,668,106	\$ 488,473	\$ 67,216	\$ 3,223,795
Payroll taxes and employee benefits	285,363	120,516	54,799	460,678	102,592	32,623	595,893
Professional services	148,694	54,837	21,322	224,853	106,771	32,545	364,169
Occupancy	151,656	52,767	24,720	229,143	65,253	3,598	297,994
Travel and entertainment	87,196	56,561	57,328	201,085	20,915	3,362	225,362
Technology	37,968	14,317	6,550	58,835	43,326	888	103,049
Office	47,435	12,298	6,164	65,897	44,724	5,277	115,898
Marketing	7,331	3,339	37,390	48,060	1,688	313	50,061
Grants expense	27,359	-	-	27,359	-	-	27,359
In-kind - professional services	438,326	-	-	438,326	-	-	438,326
Depreciation	6,711	2,406	1,133	10,250	11,644	174	22,068
Program fees - NYS CEO LLC	2,761,583	-	-	2,761,583	-	-	2,761,583
Legal - CT LLC	387,238	-	-	387,238	-	-	387,238
Bank charges - CT LLC	-	-	-	-	5,000	-	5,000
Program fees - CT LLC	685,485	-	-	685,485	-	-	685,485
Other - CT LLC	-	-	-	-	47,238	-	47,238
TOTAL EXPENSES	\$ 6,771,495	\$ 991,852	\$ 503,551	\$ 8,266,898	\$ 937,624	\$ 145,996	\$ 9,350,518

The accompanying notes are an integral part of the consolidated financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services				Supporting Services			Total
	Social Investment	Advisory Services	Market		General and Administrative		Fundraising	
			Education		Administrative			
FUNCTIONAL EXPENSES								
Salaries	\$ 1,099,928	\$ 693,374	\$ 222,433	\$ 2,015,735	\$ 434,219	\$ 44,579	\$ 2,494,533	
Payroll taxes and employee benefits	177,595	124,893	35,382	337,870	73,468	4,543	415,881	
Professional services	271,411	29,482	131,106	431,999	64,446	4,774	501,219	
Occupancy	69,876	42,979	10,903	123,758	19,928	1,575	145,261	
Travel and entertainment	76,934	59,902	76,884	213,720	17,225	610	231,555	
Technology	34,397	24,181	45,779	104,357	17,698	772	122,827	
Office	64,978	27,543	15,332	107,853	19,867	1,232	128,952	
Marketing	8,713	5,195	13,030	26,938	3,201	194	30,333	
Grants expense	381,607	-	-	381,607	-	-	381,607	
In-kind - professional services	581,873	-	-	581,873	69,176	-	651,049	
Depreciation	4,583	2,916	937	8,436	1,771	208	10,415	
Other	-	-	-	-	(10,030)	-	(10,030)	
Bank charges - NYS CEO LLC	-	-	-	-	989	-	989	
Program fees - NYS CEO LLC	3,970,766	-	-	3,970,766	-	-	3,970,766	
TOTAL EXPENSES	\$ 6,742,661	\$ 1,010,465	\$ 551,786	\$ 8,304,912	\$ 711,958	\$ 58,487	\$ 9,075,357	

The accompanying notes are an integral part of the consolidated financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Total Net Assets
	Controlling	Non- Controlling	Total		
BALANCE AT JANUARY 1, 2015	\$ 5,709,705	\$ 3,345,218	\$ 9,054,923	\$ 801,147	\$ 9,856,070
Capital contributions from investor members	-	6,668,000	6,668,000	-	6,668,000
Change in net assets	<u>326,615</u>	<u>(4,021,755)</u>	<u>(3,695,140)</u>	<u>(579,487)</u>	<u>(4,274,627)</u>
BALANCE AT DECEMBER 31, 2015	6,036,320	5,991,463	12,027,783	221,660	12,249,443
Change in net assets	<u>(1,409,471)</u>	<u>(2,811,583)</u>	<u>(4,221,054)</u>	<u>141,450</u>	<u>(4,079,604)</u>
BALANCE AT DECEMBER 31, 2016	<u>\$ 4,626,849</u>	<u>\$ 3,179,880</u>	<u>\$ 7,806,729</u>	<u>\$ 363,110</u>	<u>\$ 8,169,839</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,079,604)	\$ (4,274,627)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	22,068	10,415
Loss on disposal of property and equipment	-	3,535
Deferred rent	66,810	(28,207)
Changes in operating assets and liabilities:		
Restricted cash - CT escrow	(2,300,427)	-
Grants and accounts receivable	(99,536)	883,847
Prepaid expenses	(231,724)	19,590
Security deposit	55,000	(72,101)
Accounts payable and accrued expenses	24,448	285,150
Deferred revenue	13,542	28,125
Deferred CT outcome payment	2,300,000	-
Accrued interest	18,238	-
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,211,185)</u>	<u>(3,144,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(40,509)</u>	<u>(24,631)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from investor members	-	6,518,359
Borrowings under loans payable	<u>1,507,274</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,507,274</u>	<u>6,518,359</u>
NET (DECREASE) INCREASE IN CASH	(2,744,420)	3,349,455
CASH - BEGINNING OF YEAR	<u>12,375,539</u>	<u>9,026,084</u>
CASH - END OF YEAR	<u>\$ 9,631,119</u>	<u>\$ 12,375,539</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. NATURE OF THE ORGANIZATION

Founded in January 2011, Social Finance US (“SFI”) is a 501(c)(3) nonprofit organization dedicated to mobilizing capital to drive social progress. SFI believes that everyone deserves the opportunity to thrive, and that social impact financing can play a catalytic role in creating these opportunities. As a Pay for Success intermediary, SFI has built upon the work of its sister organization, Social Finance UK, which pioneered the first Social Impact Bond in the world in 2010.

Pay for Success (“PFS”) is an innovative model to fund social programs. The model enables federal, state, and local governments (“Payors”), or other organizations that care for populations in need, to draw in greater resources to tackle social problems by tapping private investments for the upfront costs of social programs. Payors work with high-performing providers, such as nonprofits and charities, along with intermediary organizations, to identify targets for measurably improving outcomes through a PFS contract. If the program is successful in delivering services that improve the lives of the program participants, then government repays those who put up the original investment, plus a modest return. PFS mechanisms are also sometimes referred to as Social Impact Bonds, or outcomes-based financing.

As the intermediary in a PFS project, SFI acts as a coordinator and project manager for government, service providers, and impact investors, driving the design, negotiation, and financial structure of the project. SFI also coordinates the necessary capital from multiple sources for the PFS project and performs ongoing investor relations and active performance management services.

SFI’s programs consist of the following:

Social Investment

The Social Investment team works with the government to develop PFS projects across several workstreams, including program design, data and evaluation, economics, and finance and legal. These projects aim to improve social outcomes and generate financial returns. SFI also mobilizes capital to support PFS projects, putting capital to work in service of society. Additionally, SFI plays a role in active performance management to ensure projects stay on track and drive positive results for communities in need.

Advisory Services

The Advisory Services team partners with governments and foundations to assess promising programs that could benefit from PFS financing. SFI identifies best-in-class interventions, executes economic analyses, performs due diligence, and explores opportunities to scale high performing nonprofits to achieve better outcomes for communities in need.

Market Education

Through research, advocacy, and publications, SFI supports the development of the PFS market and the broader impact investment movement.

Social Finance Affiliates

SFI oversees three affiliates through common management, Social Finance District of Columbia Teen Pregnancy Prevention and Educational Attainment 2014 Manager, Inc. (“DC Wyman Manager”), Social Finance NY State Workforce Re-Entry 2013 Manager, Inc. (“NYS CEO Manager”), and Social Finance CT Family Stability 2016 Manager, Inc. (“CT Manager”), which are Delaware nonprofit non-stock corporations. DC Wyman Manager had no revenues or expenses in 2016 or 2015 and was dissolved in 2016.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. NATURE OF THE ORGANIZATION (CONTINUED)

NYS CEO LLC

NYS CEO Manager is the managing member of Social Finance NY State Workforce Re-entry 2013 LLC, a for-profit limited liability company ("NYS CEO LLC"). NYS CEO Manager is presumed to control NYS CEO LLC for consolidation purposes in the absence of substantive participating rights and substantive kick out rights held by the investor members (see Note 3). NYS CEO LLC was organized on September 25, 2013. NYS CEO LLC's purpose is to lessen the burdens of the government of New York State by reducing recidivism and increasing employment of formerly incarcerated individuals with the objective that NYS CEO Manager will receive the outcome payments payable under the contract (the "NYS PFS Agreement") with New York State Department of Labor (the "NYSDOL") for the Pay for Success Project (the "NYS PFS Project") for the benefit of investors in NYS CEO LLC. NYS CEO LLC's activities are limited to deploying investor funds for PFS Project costs and receiving outcome payments for distribution to members of NYS CEO LLC, in each case pursuant to the terms and conditions of the NYS PFS Agreement.

The NYS PFS Project is an innovative way to finance the growth of evidence-based services in order to improve social outcomes while producing public-sector savings and benefits. This is accomplished through NYS CEO LLC issuing equity interests to investor members, with the proceeds of such equity interests being used to cover operating costs associated with the NYS PFS Project. Investor members accept the risk of loss of their investment if certain outcomes are not achieved by the NYS PFS Project. There are two phases to the NYS PFS Project, with Phase I anticipated to span from inception of NYS CEO LLC through year four and Phase II to span from year three through the end of the NYS PFS Project, which is anticipated to be in 2019. NYS CEO LLC will dissolve after all payments have been made in full to NYS CEO Manager for the benefit of NYS CEO LLC investors and all funds have been distributed back to the investor members.

The NYS PFS Agreement is dated October 1, 2013 and is among the NYSDOL, SFI, and NYS CEO Manager whereby the NYSDOL will make payments, if any, of up to \$21,543,853 total for both Phase I and Phase II based on the level of outcomes achieved. For Phase I, it is anticipated that payments up to \$11,095,000 would be funded out of a \$12,000,000 Grant from the U.S Department of Labor ("USDOL"). For the years ending December 31, 2016 and 2015, NYS CEO LLC disbursed total funds of \$2,761,583 and \$3,970,766, respectively, in connection with the NYS PFS Project.

Under the NYS PFS Project, the NYSDOL will comply with the requirements of the USDOL Grant and use reasonable efforts to ensure the cooperation and assistance required by SFI to perform its functions. The New York State Department of Corrections and Community Supervision will provide information, access, referrals and interact with the service provider in the provision of its services. The Center for Employment Opportunities ("CEO") will serve as the service provider for the project and will provide its evidence-based employment intervention to 2,000 high-risk, formerly incarcerated individuals.

CT LLC

CT Manager is the managing member of Social Finance CT Family Stability 2016 LLC ("CT LLC"). CT LLC was formed on February 8, 2016 and commenced operations on September 22, 2016. CT LLC has been established to lessen the burdens of government of the State of Connecticut by promoting family stability and reducing out of home placements for families impacted by parental substance use (the "CT Project"). Operating costs of the CT Project will be funded by loans to CT LLC. SFI and CT Manager are considered Limited Credit Parties only. Loan repayments will be made by CT Manager, from funds received from the State of Connecticut, based on the outcomes of the CT Project (the "Outcome Payments"). Per the lender agreements, the failure to pay outstanding loans in situations where no outcomes are achieved and no Outcome Payments are made, will not result in event of default, nor will the Limited Credit Parties be liable for outstanding amounts with respect to the loans.

The term of CT LLC shall continue until the date after which all evaluations are final and all Outcome Payments that have been earned have been paid in full or as otherwise required by the PFS contract which governs the CT Project. The expected date of the final Outcome Payments is on or before September 30, 2022.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

All significant intercompany accounts and transactions between SFI, DC Wyman Manager, NYS CEO Manager, NYS CEO LLC, CT Manager, and CT LLC (collectively, the "Organization") have been eliminated in consolidation.

Financial Statement Presentation

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the Organization's net assets and its revenue, support, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include contributions, support, and investment interest income that will be used by the Organization in connection with its mission as designated by the Board of Directors.

Revenue Recognition

Grants and contributions are recognized as revenue when they are received or unconditionally pledged. Grants and contributions received with conditions are recognized as revenue when such conditions are met. Advisory fees are recognized as revenue when services are performed and billable.

Grants and Accounts Receivable

Grants receivable represent unconditional promises to give by donors. At December 31, 2016, the Organization had accounts receivable of \$324,704 and grants receivable of \$204,085. At December 31, 2015, the Organization had accounts receivable of \$429,253 and no grants receivable. The Organization uses the allowance method to determine uncollectible grants and accounts receivable. Such allowance for grants is based upon management's judgment, as certain grants are based on the achievement of the stated goals, and, for accounts receivable, is based on management's assessment of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions. At December 31, 2016 and 2015, the Organization has determined that no allowance for doubtful accounts is necessary for grants and accounts receivable.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Organization has established a \$1,000 threshold above which assets are capitalized.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

The Organization recognizes contributions of donated services when they create or enhance nonfinancial assets or require specialized skills that would typically need to be purchased if not provided by donation. Such services are recorded as contributions in-kind at an amount based on market values of services donated. Contributions are recorded in the period received.

Rent Expense

The Organization records rent expense on a straight-line basis over the life of the lease.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

SFI, DC Wyman Manager, NYS CEO Manager and CT Manager

SFI is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. DC Wyman Manager, NYS CEO Manager and CT Manager were established as nonprofit, non-stock corporations.

NYS CEO LLC

No provision has been made for federal and state income taxes in the accompanying consolidated financial statements since NYS CEO LLC is treated as a partnership for tax purposes and each member includes its proportionate share of income, loss or credit in its respective income tax return for all tax jurisdictions. NYS CEO LLC is considered a pass-through entity for all applicable jurisdictions. As a pass-through entity, income tax is attributable to the members and any income tax amounts due to or from each jurisdiction are classified as transactions with the members.

CT LLC

Pending approval by the Internal Revenue Service (the "IRS"), CT LLC will be recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. CT LLC will be treated as a disregarded entity, and will be included in the tax filings of CT Manager if and when IRS approval is received.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

The Organization

The Organization follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, disclosure, and transition.

Should there be interest on underpayment of income tax, the Organization would classify it as interest expense. The Organization would classify penalties in connection with underpayment of income tax as other expense.

The Organization is subject to audit by tax authorities. The Organization believes that it has appropriate support for the positions taken on its tax returns. Management believes that its nonprofit status would be sustained upon examination. With few exceptions, the Organization is no longer subject to Federal, state, or local income tax examinations for years before 2013.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. This reclassification had no effect on previously reported change in net assets.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

In February 2015, the FASB issued an accounting standards update that amends existing requirements applicable to reporting entities that are required to evaluate whether certain legal entities should be consolidated. The update is effective on a modified or full retrospective basis for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted including for an interim period. The Organization is currently evaluating the effect the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standards update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued an accounting standards update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

In November 2016, the FASB issued an accounting standards update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

Subsequent Events

The Organization has evaluated events through May 1, 2017, which is the date the consolidated financial statements were available to be issued.

3. NON-CONTROLLING INTEREST

The Organization's non-controlling interest is comprised of NYS CEO LLC's equity, which is divided into three classes: Class A, consisting of Class A-1 and Class A-2; Class X; and Class M. The members who hold Class A or Class X interests ("Investor Members") have no power or authority to control the business of NYS CEO LLC or act on behalf of NYS CEO LLC in connection with any matter. Class A and Class X Members have certain protective rights. Class M has the sole voting rights of NYS CEO LLC.

If a Class X Member were to make a single capital contribution in satisfaction of its entire capital commitment, then the Class X Member is not obligated to make any additional capital contributions in response to any future capital call notices. The Class X Member has fulfilled its entire capital commitment for both Phase I and Phase II.

Each Member has made capital contributions in the aggregate amount of its capital commitment less any amount paid in respect of a placement fee (if any), which is paid directly to the placement agent.

Each investor has agreed to make capital contributions up to a certain capital commitment. The total funded commitment as of December 31, 2015 is \$13,368,000, which represents Phase I and Phase II contributions of the NYS PFS Project. As of December 31, 2015, no commitments were outstanding. No capital calls were made during 2016.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31,:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Computers and software	\$ 64,676	\$ 54,332	3-5 years
Furniture and fixtures	10,093	5,610	7 years
Leasehold improvements	<u>27,197</u>	<u>1,515</u>	5 years
	101,966	61,457	
Less: accumulated depreciation	<u>(48,971)</u>	<u>(26,903)</u>	
	<u>\$ 52,995</u>	<u>\$ 34,554</u>	

Depreciation expense for the years ended December 31, 2016 and 2015 was \$22,068 and \$10,415, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Purpose restricted	\$ 238,110	\$ 221,660
Time restricted	<u>125,000</u>	<u>-</u>
	<u>\$ 363,110</u>	<u>\$ 221,660</u>

Net assets were released from restrictions by incurring expenses or by the passage of time, thus satisfying their restricted purposes during the years ended December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Purpose restricted	\$ 83,550	\$ 579,487
Time restricted	<u>125,000</u>	<u>-</u>
	<u>\$ 208,550</u>	<u>\$ 579,487</u>

6. SOCIAL IMPACT BOND FIRST-LOSS GUARANTEE AND RESTRICTED CASH

In 2012 and 2013, the Organization received a total of \$1,320,200 in grant funds that were to be used to fund the Social Impact Bond first-loss guarantee. These grant funds were segregated and transferred from SFI to an escrow account in the name of NYS CEO LLC. The Social Impact Bond first-loss guarantee serves as a guarantee facility for certain members of NYS CEO LLC should payments to such investors be less than their aggregate capital contributions. The funds have been designated as restricted cash and a corresponding liability has been recorded.

7. DEFERRED CT OUTCOME PAYMENT AND RESTRICTED CASH – CT ESCROW

CT Manager entered into an agreement with the Connecticut Department of Children and Families, a department of the State of Connecticut ("the Agency"), in which CT Manager receives deposits for purposes of either transferring outcome payments to CT LLC or returning funds to the Agency, in accordance with the intermediary agreement. In accordance with the intermediary agreement, funds were deposited into an escrow which, including accumulated interest, had a total balance of \$2,300,427 at December 31, 2016. These outcome payments are deferred, because they are contingent on the satisfaction of certain performance targets which may or may not be achieved. The first release of funds will occur, if at all, on or around July 1, 2018.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

8. LOAN COMMITMENTS, INTEREST, AND REPAYMENTS

CT LLC entered into a Senior Credit Agreement with certain lenders (the "Senior Lenders") and into a Junior Credit Agreement with other lenders (the "Junior Lenders" and, together with Senior Lenders, the "Lenders") on September 19, 2016. Pursuant to these agreements, CT LLC accepted loan commitments of \$11,200,044 from the Lenders.

Each Lender's loan commitment is payable in semi-annual increments, provided there shall be no more than eight payment dates. CT LLC has received loan proceeds from its Lenders aggregating to \$1,507,274 through December 31, 2016. In total, CT LLC has received loan funding from its Lenders of 13.5% of loan commitments through December 31, 2016.

In the event any of the Lenders defaults on a loan commitment, CT Manager shall pursue remedies in accordance with the Credit Agreements.

Funded loan balances accrue interest at a rate of 5% annually for the Senior Lenders and at a rate of 3% annually for Junior Lenders, all of which is converted semi-annually, in arrears, into interest loans (the "Interest Loans"). Interest Loans also accrue interest at a rate of 5% annually for the Senior Lenders and at a rate of 3% annually for Junior Lenders. CT LLC accrued \$18,238 in interest expense as of December 31, 2016.

Lenders' loan balances will be repaid, along with accrued interest, when CT LLC receives Outcome Payments, if any, from the State of Connecticut, via CT Manager, with a maximum of \$14,800,000 in aggregate payments. Outcome Payments are determined by periodic evaluation of the Project and will only be made if CT Project outcomes are achieved. If outcomes are not achieved, the loans will not be repaid, and CT Manager and SFI will bear no further liability. Through December 31, 2016, CT LLC has not received or paid any Outcome Payments.

9. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2016 and 2015, the Organization recognized total in-kind contributions of \$599,314 and \$651,049, respectively, which consisted solely of professional services. These amounts are reflected as both support and expenses in the accompanying consolidated financial statements.

10. RETIREMENT PLAN

The Organization maintains a 403(b) voluntary contributory retirement plan offered to all regular employees on the date of hire. Employees are eligible to receive non-elective contributions after six months of employment and contributions are immediately vested. The Organization makes a discretionary contribution based on a predetermined percentage of the eligible employees' regular earnings. During the years ended December 31, 2016 and 2015, the total retirement expense totaled \$77,536 and \$32,952, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Organization entered into a six-year and three-month lease agreement effective February 1, 2013, with an option to renew for an additional five years. In July 2014, the Organization's lease was amended to include additional office space. The Organization was responsible for base rent and a percentage of operating expenses and real estate taxes commencing 90 days after the lease effective date. During 2016, this lease was terminated and the Organization was required to pay an early termination penalty in the amount of \$30,000. As a result, the unamortized portion of deferred rent was included in rent expense for the year ended December 31, 2015.

The Organization entered into a five-year and three-month lease agreement effective January 1, 2016 for new space. The Organization is responsible for base rent and a percentage of operating expenses and real estate taxes.

SOCIAL FINANCE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments related to the new lease are as follows:

Year Ending December 31,	
2017	\$ 272,251
2018	278,932
2019	285,613
2020	292,294
2021	73,491
	<hr/>
	\$ 1,202,581

Rent expense for the years ended December 31, 2016 and 2015 was \$283,696 and \$125,891, respectively.

12. CONCENTRATIONS

- A. Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts at two major financial institutions that, at times, exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 per financial institution.
- B. For the year ended December 31, 2016, three donors contributed \$2,125,500 to the Organization, which amounted to approximately 43% of the Organization's total support and revenue. For the year ended December 31, 2015, two donors contributed \$1,572,648 to the Organization, which amounted to approximately 33% of the Organization's total support and revenue.
- C. One grantor accounted for approximately 61% of grants receivable at December 31, 2016. There were no grants receivable at December 31, 2015.

13. SUBSEQUENT EVENTS

NYS CEO LLC disbursed its first quarter payment in 2017 in the amount of \$806,750 to CEO to cover January, February and March services.

NYS CEO LLC received preliminary results for Phase 1 for the PFS Project that were then validated, under the process described in the PFS Contract. Based on these outcomes, NYS CEO Manager is unlikely to receive any of the initial \$11,095,000 payment from NYSDOL. Consequently, there is unlikely to be a Phase I outcome payment made back to investors. However, SFI and NYS CEO Manager have formally requested further review of the PFS Project implementation, which could result in favorable adjustments to Phase 1 outcome measurement and payments to investors. Additionally, it is possible that all or part of the \$1,320,200 Social Impact Bond first-loss guarantee funds, currently held in escrow, may be used to cover certain investor losses, per the grant agreement. Management has not determined whether these results will have an effect on Phase II of the PFS project.

SUPPLEMENTARY INFORMATION

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS	Affiliates					Consolidated Total	
	SFI	NYS CEO Manager	NYS CEO LLC	CT Manager	CT LLC		Eliminations
Cash	\$ 6,053,435	\$ -	\$ 3,179,880	\$ -	\$ 397,804	\$ -	\$ 9,631,119
Restricted cash (Social Impact Bond first-loss guarantee)	-	-	1,320,200	-	-	-	1,320,200
Restricted cash - CT escrow	-	-	-	2,300,427	-	-	2,300,427
Grants and accounts receivable	528,789	-	-	-	-	-	528,789
Due from affiliates	5,000	-	-	-	-	(5,000)	-
Prepaid expenses	71,062	-	-	223,985	-	(30,000)	265,047
Security deposit	72,101	-	-	-	-	-	72,101
Property and equipment, net	52,995	-	-	-	-	-	52,995
	\$ 6,783,382	\$ -	\$ 4,500,080	\$ 2,300,427	\$ 621,789	\$ (35,000)	\$ 14,170,678

LIABILITIES AND NET ASSETS

LIABILITIES							
Accounts payable and accrued expenses	\$ 541,400	\$ -	\$ -	\$ -	\$ 205,250	\$ -	\$ 746,650
Due to SFI	-	-	-	-	5,000	(5,000)	-
Deferred rent	66,810	-	-	-	-	-	66,810
Deferred revenue	71,667	-	-	-	-	(30,000)	41,667
Loans payable and accrued interest	-	-	-	-	1,525,512	-	1,525,512
Social Impact Bond first-loss guarantee	-	-	1,320,200	-	-	-	1,320,200
Deferred CT outcome payment	-	-	-	2,300,000	-	-	2,300,000
TOTAL LIABILITIES	679,877	-	1,320,200	2,300,000	1,735,762	(35,000)	6,000,839
NET ASSETS							
Unrestricted net assets							
Controlling	5,740,395	-	-	427	(1,113,973)	-	4,626,849
Non-controlling	-	-	3,179,880	-	-	-	3,179,880
Total unrestricted net assets	5,740,395	-	3,179,880	427	(1,113,973)	-	7,806,729
Temporarily restricted net assets	363,110	-	-	-	-	-	363,110
TOTAL NET ASSETS	6,103,505	-	3,179,880	427	(1,113,973)	-	8,169,839
TOTAL LIABILITIES AND NET ASSETS	\$ 6,783,382	\$ -	\$ 4,500,080	\$ 2,300,427	\$ 621,789	\$ (35,000)	\$ 14,170,678

See independent auditor's report.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	SFI	Affiliates			DC Wyman Manager	Eliminations	Consolidated Total
		NYS CEO Manager	NYS CEO LLC	NYS CEO LLC			
Cash	\$ 6,283,793	\$ -	\$ 5,991,463	\$ 100,283	\$ -	\$ 12,375,539	
Restricted cash (Social Impact Bond first-loss guarantee)	-	-	1,320,200	-	-	1,320,200	
Accounts receivable	429,253	-	-	-	-	429,253	
Due from affiliate	100,283	-	-	-	(100,283)	-	
Prepaid expenses	33,323	-	-	-	-	33,323	
Security deposit	127,101	-	-	-	-	127,101	
Property and equipment, net	34,554	-	-	-	-	34,554	
	\$ 7,008,307	\$ -	\$ 7,311,663	\$ 100,283	\$ (100,283)	\$ 14,319,970	

LIABILITIES AND NET ASSETS

LIABILITIES						
Accounts payable and accrued expenses	\$ 722,202	\$ -	\$ -	\$ -	\$ -	\$ 722,202
Due to SFI	-	-	-	100,283	(100,283)	-
Deferred revenue	28,125	-	-	-	-	28,125
Social Impact Bond first-loss guarantee	-	-	1,320,200	-	-	1,320,200
TOTAL LIABILITIES	750,327	-	1,320,200	100,283	(100,283)	2,070,527
NET ASSETS						
Unrestricted net assets						
Controlling	6,036,320	-	-	-	-	6,036,320
Non-controlling	-	-	5,991,463	-	-	5,991,463
Total unrestricted net assets	6,036,320	-	5,991,463	-	-	12,027,783
Temporarily restricted net assets	221,660	-	-	-	-	221,660
TOTAL NET ASSETS	6,257,980	-	5,991,463	-	-	12,249,443
TOTAL LIABILITIES AND NET ASSETS	\$ 7,008,307	\$ -	\$ 7,311,663	\$ 100,283	\$ (100,283)	\$ 14,319,970

See independent auditor's report.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Affiliates						Consolidated Total
	SFI	NYS CEO Manager	NYS CEO LLC	CT Manager	CT LLC	Eliminations	
SUPPORT AND REVENUES							
Foundation grants	\$ 2,832,445	-	\$ -	-	\$ -	\$ -	\$ 2,832,445
Individual donations	514,775	-	-	-	-	-	514,775
Social investment and advisory fees	956,310	-	-	-	-	-	956,310
Management fees	200,000	-	-	-	-	(200,000)	-
In-kind contributions	438,326	-	-	-	160,988	-	599,314
Other income	17,643	-	-	427	-	-	18,070
Net assets released from restrictions	208,550	-	-	-	-	-	208,550
TOTAL SUPPORT AND REVENUES	5,168,049	-	-	427	160,988	(200,000)	5,129,464
EXPENSES							
Program:							
Social investment	2,937,189	-	2,761,583	-	1,072,723	-	6,771,495
Advisory services	991,852	-	-	-	-	-	991,852
Market education	503,551	-	-	-	-	-	503,551
	4,432,592	-	2,761,583	-	1,072,723	-	8,266,898
Support:							
General and administrative	885,386	-	50,000	-	202,238	(200,000)	937,624
Fundraising	145,996	-	-	-	-	-	145,996
TOTAL EXPENSES	5,463,974	-	2,811,583	-	1,274,961	(200,000)	9,350,518
NET LOSS	\$ (295,925)	\$ -	\$ (2,811,583)	\$ 427	\$ (1,113,973)	\$ -	\$ (4,221,054)

See independent auditor's report.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2015

	SFI	Affiliate		Eliminations	Consolidated Total
		NYS CEO Manager	NYS CEO LLC		
SUPPORT AND REVENUES					
Foundation grants	\$ 1,572,898	\$ -	\$ -	\$ -	\$ 1,572,898
Individual donations	548,050	-	-	-	548,050
Social investment and advisory fees	2,020,596	-	-	-	2,020,596
Management fees	50,000	-	-	(50,000)	-
In-kind contributions	651,049	-	-	-	651,049
Other income	8,137	-	-	-	8,137
Net assets released from restrictions	579,487	-	-	-	579,487
TOTAL SUPPORT AND REVENUES	5,430,217	-	-	(50,000)	5,380,217
EXPENSES					
Program:					
Social investment	2,771,895	-	3,970,766	-	6,742,661
Advisory services	1,010,465	-	-	-	1,010,465
Market education	551,786	-	-	-	551,786
	4,334,146	-	3,970,766	-	8,304,912
Support:					
General and administrative	710,969	-	50,989	(50,000)	711,958
Fundraising	58,487	-	-	-	58,487
TOTAL EXPENSES	5,103,602	-	4,021,755	(50,000)	9,075,357
NET INCOME (LOSS)	\$ 326,615	\$ -	\$ (4,021,755)	\$ -	\$ (3,695,140)

See independent auditor's report.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	SFI		NYS CEO LLC		CT Manager		CT LLC		Consolidated Total Net Assets
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted	Unrestricted	Unrestricted		
BALANCE AT JANUARY 1, 2015	\$ 5,709,705	\$ 801,147	\$ 6,510,852	\$ 3,345,218	\$ -	\$ -	\$ -	\$ 9,856,070	
Capital contributions from investor members	-	-	-	6,668,000	-	-	-	6,668,000	
Change in net assets	326,615	(579,487)	(252,872)	(4,021,755)	-	-	-	(4,274,627)	
BALANCE AT DECEMBER 31, 2015	6,036,320	221,660	6,257,980	5,991,463	-	-	-	12,249,443	
Change in net assets	(295,925)	141,450	(154,475)	(2,811,583)	427	(1,113,973)	(1,113,973)	(4,079,604)	
BALANCE AT DECEMBER 31, 2016	\$ 5,740,395	\$ 363,110	\$ 6,103,505	\$ 3,179,880	\$ 427	\$ (1,113,973)	\$ (1,113,973)	\$ 8,169,839	

See independent auditor's report.

SOCIAL FINANCE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Affiliates				Eliminations	Consolidated Total
	SFI	NYS CEO Manager	NYS CEO LLC	DC Wyman Manager		
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ (252,872)	\$ -	\$ (4,021,755)	\$ -	\$ -	\$ (4,274,627)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation	10,415	-	-	-	-	10,415
Loss on disposal of property and equipment	3,535	-	-	-	-	3,535
Deferred rent	(28,207)	-	-	-	-	(28,207)
Changes in operating assets and liabilities:						
Grants and accounts receivable	883,847	-	-	-	-	883,847
Due from affiliate	(100,283)	-	-	100,283	-	-
Prepaid expenses	19,590	-	-	-	-	19,590
Security deposit	(72,101)	-	-	-	-	(72,101)
Accounts payable and accrued expenses	285,150	-	-	-	-	285,150
Due to SFI	-	-	-	100,283	(100,283)	-
Deferred revenue	28,125	-	-	-	-	28,125
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>777,199</u>	<u>-</u>	<u>(4,021,755)</u>	<u>100,283</u>	<u>-</u>	<u>(3,144,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	(24,631)	-	-	-	-	(24,631)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contributions from investor members	-	-	6,518,359	-	-	6,518,359
NET INCREASE IN CASH	752,568	-	2,496,604	100,283	-	3,349,455
CASH - BEGINNING OF YEAR	5,531,225	-	3,494,859	-	-	9,026,084
CASH - END OF YEAR	<u>\$ 6,283,793</u>	<u>\$ -</u>	<u>\$ 5,991,463</u>	<u>\$ 100,283</u>	<u>\$ -</u>	<u>\$ 12,375,539</u>

See independent auditor's report.