

REDF

FINANCIAL STATEMENTS

For The Years Ended December 31, 2009 and 2008

with

INDEPENDENT AUDITOR'S REPORT

REDF
FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

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Independent Auditor's Report

To the Board of Directors
REDF
San Francisco, California

I have audited the accompanying statements of financial position of REDF as of December 31, 2009 and 2008 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with U. S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REDF as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

Carl M. Arntzen, CPA

Carl M. Arntzen, CPA
April 19, 2010

REDF
 Statements of Financial Position
 December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$889,898	\$719,124
Certificates of deposit with original maturities of 6 to 18 months	3,069,523	3,684,954
Grants receivable within one year	370,083	1,419,684
Other receivables	10,310	10,310
Prepaid expenses	5,206	21,248
Total current assets	4,345,020	5,855,320
Grants receivable after one year, net of discounts	60,000	291,831
Equipment and furniture, net of accumulated depreciation		1,725
Deposits	20,621	20,621
TOTAL ASSETS	\$4,425,641	\$6,169,497
LIABILITIES		
Current Liabilities		
Accounts payable	\$67,848	\$36,576
Accrued compensation	36,423	26,545
TOTAL LIABILITIES	104,271	63,121
NET ASSETS		
Unrestricted	3,894,985	4,142,961
Temporarily restricted	426,385	1,963,415
TOTAL NET ASSETS	4,321,370	6,106,376
TOTAL LIABILITIES AND NET ASSETS	\$4,425,641	\$6,169,497

The accompanying notes are an integral part of these financial statements.

REDF
 Statements of Activities
 For the Years Ended December 31, 2009 and 2008

	2009			2008		
	2009 Unrestricted	Temporarily Restricted	2009 Total	2008 Unrestricted	Temporarily Restricted	2008 Total
SUPPORT AND REVENUE						
Grants and contributions	\$530,539	\$248,854	\$779,393	\$594,260	\$745,099	\$1,339,359
Other income	87,635		87,635	101,285		101,285
Net assets released from restriction	1,785,884	(1,785,884)		1,936,616	(1,936,616)	
TOTAL SUPPORT AND REVENUE	2,404,058	(1,537,030)	867,028	2,632,161	(1,191,517)	1,440,644
EXPENSES						
Program expenses	1,936,359		1,936,359	2,145,872		2,145,872
Management and general	382,015		382,015	358,451		358,451
Fundraising	333,660		333,660	296,776		296,776
TOTAL EXPENSES	2,652,034		2,652,034	2,801,099		2,801,099
CHANGE IN NET ASSETS	(247,976)	(1,537,030)	(1,785,006)	(168,938)	(1,191,517)	(1,360,455)
NET ASSETS-BEGINNING	4,142,961	1,963,415	6,106,376	4,311,899	3,154,932	7,466,831
NET ASSETS-ENDING	\$3,894,985	\$426,385	\$4,321,370	\$4,142,961	\$1,963,415	\$6,106,376

The accompanying notes are an integral part of these financial statements.

REDF
Statement of Functional Expenses
For the Year Ended December 31, 2009

	2009 Program Costs	2009 Management & General	2009 Fund Raising	2009 Total	2008 Total (Page 5)
Program grants					
Enterprise capacity building grants	\$366,000			\$366,000	\$535,000
Strategic business assistance grants	18,790			18,790	31,750
MBA intern compensation grants	26,000			26,000	32,500
Business developmment and Innovation grants	9,100			9,100	64,000
Social outcome measurement grants	60,000			60,000	20,000
Salaries	819,107	\$225,905	\$169,741	1,214,753	1,010,508
Pension plan contributions	15,273	4,212	3,165	22,650	21,688
Other employee benefits	67,884	18,722	14,067	100,673	88,980
Payroll taxes	62,622	17,271	12,977	92,870	74,777
Consultants	178,621	5,906	4,798	189,325	243,934
Marketing	36,584	5,520	19,576	61,680	39,805
Occupancy	89,402	24,657	18,527	132,586	136,316
Technology	76,422	13,117	15,298	104,837	305,316
Payroll services	21,677	5,978	4,492	32,147	24,494
Travel and meals	11,474	848	3,019	15,341	15,228
Insurance	5,167	1,425	1,071	7,663	8,121
Office supplies	8,367	2,209	1,844	12,420	10,150
Conferences and meetings	17,712	1,998	4,789	24,499	26,146
Postage and shipping	2,708	747	874	4,329	4,459
Printing and publications	1,651	-	3,358	5,009	651
Equipment rental and maintenance	10,038	2,769	2,080	14,887	6,751
Dues, subscriptions and publications	2,841	766	1,888	5,495	8,114
Accounting services	6,243	41,241	-	47,484	30,630
Legal fees	2,994	935	-	3,929	2,046
Miscellaneous	4,019	1,111	1,259	6,389	8,589
Recruiting	489	4,830	4	5,323	4,695
Events	15,174	125	50,833	66,132	38,541
Depreciation	-	1,723	-	1,723	7,910
TOTAL EXPENSES	\$1,936,359	\$382,015	\$333,660	\$2,652,034	\$2,801,099

The accompanying notes are an integral part of these financial statements.

REDF
Statement of Functional Expenses
For the Year Ended December 31, 2008

	2008 Program Costs	2008 Management & General	2008 Fund Raising	2008 Total
Program grants				
Enterprise capacity building grants	\$535,000			\$535,000
Strategic business assistance grants	31,750			31,750
MBA intern compensation grants	32,500			32,500
Business development and Innovation grants	64,000			64,000
Social outcome measurement grants	20,000			20,000
Salaries	644,054	\$206,771	\$159,683	1,010,508
Pension plan contributions	13,823	4,438	3,427	21,688
Other employee benefits	56,712	18,207	14,061	88,980
Payroll taxes	47,660	15,301	11,816	74,777
Consultants	220,119	6,287	17,528	243,934
Marketing	20,755	6,517	12,533	39,805
Occupancy	86,882	27,893	21,541	136,316
Technology	278,285	11,942	15,089	305,316
Payroll services	15,611	5,012	3,871	24,494
Travel and meals	10,069	2,911	2,248	15,228
Insurance	5,176	1,662	1,283	8,121
Office supplies	6,469	2,077	1,604	10,150
Conferences and meetings	23,278	1,618	1,250	26,146
Postage and shipping	2,842	912	705	4,459
Printing and publications	88	28	535	651
Equipment rental and maintenance	4,303	1,381	1,067	6,751
Dues, subscriptions and publications	5,172	1,660	1,282	8,114
Accounting services	2,615	28,015	-	30,630
Legal fees	-	2,046	-	2,046
Miscellaneous	6,097	1,168	1,324	8,589
Recruiting	-	4,695	-	4,695
Events	12,612	-	25,929	38,541
Depreciation	-	7,910	-	7,910
TOTAL EXPENSES	\$2,145,872	\$358,451	\$296,776	\$2,801,099

The accompanying notes are an integral part of these financial statements.

REDF
 Statements of Cash Flows
 For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	(\$1,785,006)	(\$1,360,455)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,725	7,910
Decrease (increase) in operating assets:		
Grants receivable	1,281,432	1,503,776
Other receivables		8,415
Prepaid expenses and deposits	16,042	(14,282)
Increase (decrease) in operating liabilities:		
Accounts payable	31,272	3,297
Accrued compensation	9,878	6,786
Net cash provided by operating activities	(444,657)	155,447
Cash flows from investing activities:		
Certificates of deposit matured (invested)	615,431	(3,684,954)
Net cash used by investing activities	615,431	(3,684,954)
Net increase (decrease) in cash and cash equivalents	170,774	(3,529,507)
Cash and cash equivalents - beginning of year	719,124	4,248,631
Cash and cash equivalents - end of year	\$889,898	\$719,124

The accompanying notes are an integral part of these financial statements.

REDF

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

REDF began as a project of The Roberts Foundation in 1997 and was incorporated in November 2003 as an independent nonprofit corporation under the laws of the State of California to create opportunities for homeless and low income persons to move out of poverty.

Work transforms lives, strengthens communities and is an effective strategy for ending chronic poverty. However, for the past twenty years in America the poverty needle has remained stuck for many working-age adults. For discrete populations of low-income individuals—homeless people, at-risk youth, those that have been incarcerated or struggle with mental illness and addiction—poverty exacerbates and protracts already difficult circumstances. REDF addresses both this opportunity and challenge by creating job opportunities for people with the greatest barriers to employment.

REDF 2009 Program Accomplishments

2009 was a notable year at REDF, with significant progress made toward job creation goals, as well as the launch of a new strategy.

We are extremely proud of the accomplishments of our current portfolio organizations over the last twelve months. Since 2008, REDF-supported social enterprises have employed more than 500 individuals, including more than 300 individuals in 2009. Over its entire history, REDF's portfolio has employed 5,500 people.

With REDF's investment, the organizations in **REDF's portfolio** continue to expand their social enterprises, create new jobs and employ people who would otherwise face limited prospects for entering into and staying in the workforce. In 2009, REDF made grants of nearly \$400,000 to four organizations: Community Housing Partnership, San Francisco Clean City, San Francisco Conservation Corps and St. Vincent de Paul – Alameda County. Highlights of REDF's business and capacity-building work with these organizations include:

Community Housing Partnership (CHP)

- Launched a new bed bug business remediation business. This is CHP's third social enterprise launch in three years.
- CHP's existing desk clerk business is exceeding expectations in both profitability and people employed.

San Francisco Clean City

- Awarded two contracts from the city, one specifically for starting a new business.

San Francisco Conservation Corps (SFCC)

- SFCC's Special Events Recycling "Green Team" exceeded its revenue projections.
- SFCC welcomed new board members, two of whom recruited via REDF's partnership with Association for Corporate Growth.

St. Vincent de Paul of Alameda County (SVdP)

- WasteNot, an electronic waste recycling business was launched.

REDF NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization (Continued)

This year, REDF continued to expand the role it is playing with the portfolio to assist them in **new strategic customer acquisition**. REDF identified more than \$500,000 in contracts that were successfully won by organizations in the REDF Portfolio. REDF has produced a marketing kit to complement the portfolio's social enterprise's sales and marketing efforts. Complementing this kit is REDF's branded website for this strategy: www.REDF.org/bizsolutions. Visitors can fill-out an online form and be contacted directly by the social enterprise vendor regarding their inquiry in addition to downloading the marketing kit. REDF is using this kit and website to market the products and services of REDF's portfolio to strategic public and private sector buyers in aggregate.

Also in 2009, REDF rescreened its **pipeline** of prospective organizations in order to reassess their fit with REDF's current strategy and priorities. This due diligence effort has yielded a shortlist of organizations being considered for potential entry into REDF's portfolio.

REDF invested considerable time and resources into expanding the management capacity of **social enterprise leaders**. One key way this was accomplished was through the deployment of MBA interns in each portfolio organization through REDF's signature Farber Program during the summer of 2009. Many of these interns developed dashboards to improve social enterprise operational efficiency. Enterprise managers were then trained to use the new tools. Notable was the creation of a dashboard by St. Vincent de Paul (SVdP) Farber Intern, Stephen McCann (Haas School of Business, University of California, Berkeley) that kept enterprise managers and SVdP board members informed of progress against their strategic growth plans.

REDF also advanced its **Golden State Works** initiative, a partnership to bring to California the highly successful model of the New York City-based Center for Employment Opportunities (CEO) which operates a social enterprise/transitional jobs program for parolees. In 2009, REDF and CEO negotiated funding from the State of California that will go directly to a local community to establish the first of what is anticipated to be multiple replication sites in California.

REDF helps social enterprise 'graduates' transition into for-profit employment. 2009 results included 1) a labor market scan identifying an appropriate sector to target employee pipeline development; 2) identifying two for-profit companies for a demonstration project employing social enterprise graduates.

REDF's other main program focus is **Leadership, Innovation and Impact**. We continue to initiate and respond to opportunities to present our learnings and to partner with other organizations to advance the field of social enterprise and venture philanthropy. 2009 highlights include:

- With the support of The Aspen Institute, REDF continued our work on "Stepping Out of the Maze," a multi-year project of papers and dissemination activities which looks at the practical application of venture capital practices to philanthropy
- REDF developed and disseminated new social enterprise tools at the national Social Enterprise Alliance conference
- REDF article published in San Francisco Federal Reserve Board Journal

REDF NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization (Continued)

- REDF publications used as course material at top business schools including Stanford GSB, Haas School of Business, and Loyola Marymount University
- REDF launched a blog providing regular updates to stimulate discussion in the field
- REDF staff provided keynote address at Social Solutions national conference
- REDF staff promoted social enterprise and job creation at conferences convened by Goodwill, Center for Effective Philanthropy (plenary), Grantmaker for Effective Organizations and SoCap, as well as at San Francisco Federal Reserve Bank/Aspen Institute convening

REDF's 2009 **Benefit and Social Enterprise Expo** was a sold-out success with 300 guests gathered to hear (RED)[™] founder Bobby Shriver discuss social innovation and to network with REDF directors, advisors, donors and friends. Including a generous match from the Woodcock Foundation, REDF raised just under \$60,000 – mostly from first-time donors.

Finally, in 2009 REDF completed work on a **2011-2015 strategic growth plan**. REDF is poised to move thousands more people into the workforce as it scales social enterprise in California, creating a replicable model that can be deployed in communities throughout the country. As part of REDF's new 2011-2015 strategic plan, REDF aims to increase the number of organizations in its portfolio as well as expand its geographic focus beyond the San Francisco Bay Area. By 2015 REDF plans to grow its portfolio to 30 partnering organizations located in the Bay Area, Sacramento, Fresno, and Los Angeles. REDF's 2011-2015 strategic plan was approved by the organization's Board of Directors in December 2009.

We invite you to learn more about REDF on our website at <http://www.redf.org>.

REDF
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies

(a) Accrual Basis - The financial statements have been prepared on the accrual basis. Certain prior-year accounts have been reclassified for comparative purposes to conform with the current-year presentation.

(b) Basis of Presentation - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by the actions of the organization and/or the passage of time.

(c) Accounting For Restricted Support - Gifts of cash and other assets are reported as restricted support if they are received with a donor stipulation that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(d) Expenses - Salaries and non-salary administrative costs are allocated to program and supporting services based on management's estimate of the time worked in various program and supporting services. Prior year expenses were reclassified in order to conform to the current year financial statements presentation.

(e) Cash and Cash Equivalents - For the purpose of the statement of cash flows, cash and cash equivalents include funds in demand deposit accounts, short term and highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents and certificates of deposit as of December 31, 2009 included accounts at four financial institutions with \$250,000 each of FDIC insurance (\$1,000,000 in total), and the balance of cash and cash equivalents and certificates of deposit were not covered by FDIC insurance.

(f) Equipment and Furniture - Equipment and furniture are stated at cost if purchased and fair value if acquired through donation. Depreciation is calculated using the straight-line method of depreciation over the estimated useful lives of the assets.

(g) Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) Income Tax Status - The organization is exempt from Federal and State income tax under the Internal Revenue Code as a Public Charity and under the California Revenue and Taxation Code, whereby only any unrelated business income is subject to Federal and State income tax. Management believes the organization continues to qualify and to operate as a tax-exempt organization.

(i) Conditional Promises - Conditional promises are recognized as receivables and revenue only when the conditions on which they depend are substantially met and the promises become unconditional. As of December 31, 2009 there were \$57,015 in conditional promises subject to raising certain matching contributions.

REDF
NOTES TO FINANCIAL STATEMENTS

Note 3 – Grants Receivable

Grants receivable as of December 31, 2009 consisted of the following:

Receivable in 2010	<u>\$370,083</u>
Receivable in 2011 through 2013	<u>\$60,000</u>

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2009 were available for the following purposes:

General support for 2010	\$216,385
General support for 2011 through 2013	60,000
Green Collar Jobs and other program activities	<u>150,000</u>
	<u>\$426,385</u>

Note 5 – Commitments, Contingencies and Concentrations

The office lease runs through December 2012, with monthly payments of \$9,721 to \$10,310. Annual rent payments will be \$116,655 for 2010; \$120,190 for 2011 and \$123,725 for 2012. While REDF's Board of Directors remains a significant contributor, REDF continues to diversify its financial backing to a growing network of individual and institutional donors in order to further support programs and support its tax-exempt status. Receivables are subject to credit risk. No allowance for bad debts has been provided because management believes that all receivables are collectible in full. In the ordinary course of operations, REDF has various contractual and fiduciary obligations. Revenues include amounts collected under grants with various requirements. Management believes that REDF has complied with all requirements. Subsequent events have been evaluated through April 19, 2009.