

REDF AND AFFILIATE

**CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION,
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2021

CONTENTS

Independent Auditors' Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-24
Supplemental Information:	
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities	26
Consolidating Statement of Functional Expenses – Programs Only	27
Consolidating Statement of Functional Expenses – Management and General Only	28
Consolidating Statement of Functional Expenses – Fundraising Only	29
Additional Information:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30-31

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
REDF and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of REDF and Affiliate (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2021, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of REDF and Affiliate as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of REDF and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about REDF and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 REDF and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about REDF and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited REDF and Affiliate's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, on our consideration of REDF and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of REDF and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering REDF and Affiliate's internal control over financial reporting and compliance.

Harrington Group

Oakland, California
May 16, 2022

REDF AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

With comparative totals at December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
ASSETS				
Cash and cash equivalents	\$ 10,799,791	\$ 4,206,562	\$ 15,006,353	\$ 11,467,680
Certificates of deposits (Note 2)	1,583,875		1,583,875	2,367,803
Accounts receivable (Note 2)	363,055		363,055	762,533
Accrued interest receivable	23,596		23,596	10,719
Loans receivable, net of deferred fees of \$20,895 and allowance of \$8,515 (Note 4)	1,581,533		1,581,533	1,491,787
Pledges receivable (Note 5)		27,350,462	27,350,462	32,299,582
Prepaid expenses and other assets	264,680		264,680	133,015
Deposits	16,730		16,730	16,730
Property and equipment (Note 7)	258,401		258,401	117,956
TOTAL ASSETS	\$ 14,891,661	\$ 31,557,024	\$ 46,448,685	\$ 48,667,805
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 415,112	\$ -	\$ 415,112	\$ 432,630
Accrued liabilities	884,873		884,873	760,267
Note payable - net (Note 8)	2,736,790		2,736,790	1,744,197
Deferred revenue	121,000		121,000	-
Paycheck protection program loan (Note 12)			-	1,007,308
TOTAL LIABILITIES	4,157,775	-	4,157,775	3,944,402
NET ASSETS				
Without donor restrictions	8,733,886		8,733,886	8,919,943
Without donor restrictions - Board designated	2,000,000		2,000,000	2,000,000
With donor restrictions (Note 10)		31,557,024	31,557,024	33,803,460
TOTAL NET ASSETS	10,733,886	31,557,024	42,290,910	44,723,403
TOTAL LIABILITIES AND NET ASSETS	\$ 14,891,661	\$ 31,557,024	\$ 46,448,685	\$ 48,667,805

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

REDF AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT				
Contributions	\$ 1,953,207	\$ 7,020,890	\$ 8,974,097	\$ 33,602,860
Government contracts		1,138,719	1,138,719	48,020,290
Paycheck protection program loan forgiveness (Note 12)	1,007,308		1,007,308	-
Investment income	125,803		125,803	87,893
Other income	100		100	11,942
Net assets released from restrictions (Note 10)	10,406,045	(10,406,045)	-	-
TOTAL REVENUE AND SUPPORT	<u>13,492,463</u>	<u>(2,246,436)</u>	<u>11,246,027</u>	<u>81,722,985</u>
EXPENSES				
Program services	9,897,943		9,897,943	58,861,154
Management and general	2,792,726		2,792,726	2,715,316
Fundraising	985,452		985,452	718,527
TOTAL EXPENSES	<u>13,676,121</u>	<u>-</u>	<u>13,676,121</u>	<u>62,294,997</u>
CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP ACTIVITY	(183,658)	(2,246,436)	(2,430,094)	19,427,988
FISCAL SPONSORSHIP ACTIVITY (NOTE 11)	<u>(2,399)</u>		<u>(2,399)</u>	<u>(4,522)</u>
CHANGE IN NET ASSETS	(186,057)	(2,246,436)	(2,432,493)	19,423,466
NET ASSETS, BEGINNING OF YEAR	<u>10,919,943</u>	<u>33,803,460</u>	<u>44,723,403</u>	<u>25,299,937</u>
NET ASSETS, END OF YEAR	<u>\$ 10,733,886</u>	<u>\$ 31,557,024</u>	<u>\$ 42,290,910</u>	<u>\$ 44,723,403</u>

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

REDF AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Growth Portfolio/ Evidence	Partnerships	Accelerator	Other Programs				2021	2020
Salaries	\$ 1,321,239	\$ 515,998	\$ 374,795	\$ 2,109,616	\$ 4,321,648	\$ 1,486,001	\$ 577,747	\$ 6,385,396	\$ 5,557,557
Payroll taxes	106,177	40,830	30,338	168,363	345,708	107,518	41,084	494,310	414,730
Employee benefits	225,245	97,022	47,872	423,612	793,751	395,219	98,530	1,287,500	1,350,781
Total personnel costs	<u>1,652,661</u>	<u>653,850</u>	<u>453,005</u>	<u>2,701,591</u>	<u>5,461,107</u>	<u>1,988,738</u>	<u>717,361</u>	<u>8,167,206</u>	<u>7,323,068</u>
Industry expertise and consultants	752,889	472,412	180,423	759,383	2,165,107	265,632	207,550	2,638,289	2,194,577
Program grants	1,300,000		320,000		1,620,000			1,620,000	50,922,205
Technology	67,279	33,194	20,645	111,056	232,174		23,560	327,245	299,119
Payroll services					-	155,559		155,559	95,753
Occupancy	28,741	13,804	8,393	47,063	98,001	30,453	10,044	138,498	450,916
Other	24,903	4,448	3,759	42,971	76,081	8,254	8,309	92,644	28,965
Depreciation	16,129	7,747	4,710	26,412	54,998	17,090	5,637	77,725	161,526
Accounting, auditing, and legal				1,076	1,076	71,154		72,230	180,103
Interest expense				64,000	64,000			64,000	16,880
Travel and meals	4,605	521	1,830	25,585	32,541	14,135	6,610	53,286	92,040
Insurance					-	49,504		49,504	46,534
Training and professional development	2,074	180	100	3,790	6,144	40,979		47,123	18,201
Recruiting				795	795	37,586		38,381	125,923
Events	418	2,104	3,158	27,547	33,227	714	958	34,899	41,644
Equipment rental and maintenance	6,429	3,088	1,877	10,624	22,018	6,812	2,247	31,077	39,368
Conference and meetings	3,905	555	255	4,233	8,948	15,049	894	24,891	29,764
Dues and subscriptions	36	17	11	1,667	1,731	16,808	13	18,552	25,004
Provision for loan losses				8,515	8,515			8,515	183,390
Postage and shipping	1,547	742	452	3,346	6,087	1,724	544	8,355	7,317
Office supplies	1,689	635	459	2,610	5,393	1,024	1,725	8,142	12,700
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 3,863,305</u>	<u>\$ 1,193,297</u>	<u>\$ 999,077</u>	<u>\$ 3,842,264</u>	<u>\$ 9,897,943</u>	<u>\$ 2,792,726</u>	<u>\$ 985,452</u>	<u>\$ 13,676,121</u>	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 5,121,370</u>	<u>\$ 48,607,190</u>	<u>\$ 604,004</u>	<u>\$ 4,528,590</u>	<u>\$ 58,861,154</u>	<u>\$ 2,715,316</u>	<u>\$ 718,527</u>		<u>\$ 62,294,997</u>

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

REDF AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,432,493)	\$ 19,423,466
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	77,725	161,526
Paycheck protection program forgiveness portion	(1,007,308)	
Allowance for loan losses	8,515	183,389
Deferred loan origination costs (fee income)	(13,113)	(13,166)
(Increase) decrease in operating assets:		
Accounts receivable	386,601	(532,006)
Pledges receivable	4,949,119	(23,224,087)
Prepaid expenses, deposits and other assets	(131,665)	62,792
Increase (decrease) in operating liabilities:		
Accounts payable	(17,518)	115,054
Accrued liabilities	124,606	422,713
Deferred revenue	121,000	-
	2,065,469	(3,400,319)
CASH FLOWS FROM INVESTING ACTIVITIES:		
New loans issued	(475,000)	(959,200)
Proceeds from repayment of loans receivable	389,852	25,305
Purchase of property and equipment	(218,169)	-
Net proceeds from maturing and purchase of certificates of deposits	783,928	1,847,737
	480,611	913,842
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on loan payable	992,593	1,248,428
Proceeds from paycheck protection program loan	-	1,007,308
	992,593	2,255,736
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,538,673	(230,741)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,467,680	11,698,421
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,006,353	\$ 11,467,680

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

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Twenty-five years later, REDF remains the nation's only venture catalyst investing exclusively in Employment Social Enterprises (ESEs) – businesses achieving transformative social impact – providing jobs, training, and support to people breaking through barriers to employment. Since 1997, REDF has provided seed and growth capital and specialized advisory services directly to **238** ESEs, which have earned and reinvested in their businesses **\$1.36 billion** in revenue and employed over **84,000** people (9,300 in 2021, the first year of our current five-year strategy period), helping to amplify the impact of public sector investments while improving lives and communities.

These 84,000 people were once part of the millions of Americans who remain sidelined from access and opportunity. Some due to the trauma of homelessness, disconnection from school or work, and other steep barriers to employment—barriers often caused and compounded by the racial inequities embedded in our systems.

Long-standing racially biased policies and practices in the workplace, education, health care, and the criminal justice system have created and sustained an equity gap, starkly exemplified by the earnings and wealth gaps. Black and Hispanic men earn 87 cents and 91 cents, respectively, for every dollar earned by white men. Women of color earn just 63 cents for every dollar earned by white men. In the U.S., the average white family has eight times the wealth of the average Black family and five times the wealth of the average Hispanic family.

As a counterforce to these inequities, REDF invests in and drives demand for ESEs—businesses that hire the very talent others have sidelined—and provide the training, skill building, and support they need to thrive. These investments are in capital (in the form of grants, loans, and access to public contracts), capacity building (in the form of targeted technical assistance in key capabilities like program model, business model, infrastructure, talent, and fundraising), and community (in the form of peer-to-peer learning and engagement) that helps to build a vibrant ESE sector over time.

REDF 2021-2025 Strategy and Accomplishments

In 2021, REDF embarked on a new five-year strategy, emboldened by the growth of the prior five years deepening its national footprint, and compelled to action by the nation's reckoning with racial injustice and the systemic inequities brought to light through COVID-19.

Our new strategy compels us to go upstream in the field of ESEs and select, invest in, and partner with the most undercapitalized groups often facing the most significant of barriers. As part of our racial equity agenda, we are prioritizing leaders of color and leaders with lived experience – thereby increasing the access for leaders most proximate to the communities we ultimately serve.

REDF's strategy centers on the following theory of change: If we make equity focused investments in leaders and ESEs and help develop the strength of those leaders and ESEs through targeted technical assistance, while also investing in community building, advocacy, and support for the field, then we will help build an economy that works, for everyone.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, continued

In 2021 alone, REDF deployed in grants, closed in loans, and unlocked in public sector revenue a cumulative \$18.3M in capital for ESEs, supporting 60 leaders and their enterprises, and the over 9,300 people they employ. These social enterprises represent a diversity of industries and business lines and provide a range of supportive services and real work experience to their employees.

REDF's service delivery model under this new strategy comprises an interlocking set of programs and services, as defined below.

Programs

Accelerator

The Accelerator program is a 5-month supportive, cohort-based, curated learning experience – where leaders of early-stage enterprises work together to help springboard their growth. In 2021, 16 entrepreneurs from across the US participated in REDF's one-of-a-kind ESE Accelerator. This programming, combined with peer learning and networking opportunities, enhances ESE leaders' abilities to effectively run a social enterprise, increase the number of people their companies employ, and improve their employee support programs.

Growth Portfolio

The Growth Portfolio program is a 3-year grant investment paired with customized capacity building support for growth-minded ESEs to build capacity and fuel sustainable growth. In 2021, 13 new entrepreneurs began their three-year journey with us, leveraging capital and targeted capacity building in areas fundamental to their business model, program model, infrastructure, talent strategies, and fundraising. This intensive technical assistance amplifies the impact of the grant and ensures vulnerabilities are minimized and opportunities are maximized for these growing enterprises.

Impact Lending

REDF Impact Investing Fund (RIIF) provides flexible loan capital and capacity building for employment social enterprises seeking to improve financial sustainability, grow their business, and employ more people. Key elements of the RIIF model are: an investment philosophy that adds more value than extracts, a risk rating system that values social and community capital and identifies and mitigates risks in partnership with borrowers, flexible loan terms, and technical assistance alongside financing over the life of the loan. As of December, 2021 RIIF is managing a portfolio of 14 borrowers.

RIIF began as a program of REDF in 2017 and was incorporated in June 2019 as an independent nonprofit corporation under the laws of the State of California. RIIF is disclosed as an affiliate of REDF in this report due to common board governance.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization**, continued

Government Partnerships and Policy

Government Partnerships and Policy fosters public-private sector partnerships and policy influence at the federal and state levels that promote public investment in ESEs and increase economic mobility for their employees.

Policy

In 2021 REDF co-sponsored CA Senate Bill 779 which includes ESEs and worker cooperatives as examples of “earn and learn” programs. REDF also supported CA Assembly Bill 628 which will renew and expand the Breaking Barriers to Employment Initiative and specifically names ESEs in the list of partnerships that can receive grant funding. At the federal level, REDF achieved major policy wins both by getting ESEs named and included in legislation (the Jobs for Economic Recovery Act and the Long-Term Unemployment Elimination Act) and continuously increasing ESE socialization and education among federal policymakers, including through the congressional testimonies made by ESE leaders and REDF’s participation in a House Education & Labor roundtable.

Los Angeles Regional Initiative for Social Enterprise (LA:RISE)

LA:RISE, a 2021 Top 10 Productivity and Quality Award Winner from the LA County Quality and Productivity Commission, is a public sector partnership in Greater Los Angeles. Employment social enterprises, the local workforce system, and the city and county come together to get more Angelenos back to work. In 2021, the program supported 15 ESEs, five Work-Source Centers (WSC), three YouthSource Centers (YSC), ten America’s Job Centers of California (AJCC), two retention providers and one legal provider.

SNAP E&T

Nationwide, thousands of people who utilize Supplemental Nutrition and Assistance Program (SNAP) to increase their food budget as they move toward self-sufficiency also want to enter and succeed in the workforce. Through SNAP Employment & Training Programs (SNAP E&T) – like those offered at ESEs – these individuals receive on-the-job training, work experience, and support to make that happen. REDF connects ESEs with SNAP E&T programs so that more of these individuals across the country can access this vital support.

In 2021, in partnership with USDA, Seattle Jobs Initiative and Center for Employment Opportunities, REDF selected 22 ESEs to receive a combination of specialized training, technical assistance, and peer mentorship to support their success as SNAP E&T providers.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization**, continued

Community

In response to the ever-growing field of ESEs and the catalytic learning that can take place when they have a platform in which to connect, REDF launched Community – a dedicated space and curated resources to help our social enterprise partners and their staff connect, grow, and lead. Among the services provided in 2021 were: affinity groups to build deeper connections between entrepreneurs, a community-wide retreat to inform future strategy and learn with each other, individualized coaching for entrepreneurs, and network-wide professional development in asset framing.

Services

Outreach

In 2021, REDF launched a new outreach service to qualify prospective ESEs into the pipeline and drive interest and intrigue around the larger ESE community. This effort has resulted in the greatest percentage of BIPOC leaders and leaders with the lived experience of people they employ in our portfolio, and targeted geographic expansion to drive presence in under-represented regions in our country.

Capacity Building

REDF provides customized capacity-building assistance in five key areas (business model, program model, talent, fundraising, and operations) that amplifies the impact of grant and loan investments. This service allows REDF to strategically hone-in on key ESE vulnerability and opportunity areas and accelerate pathways to sustainability.

Farber Internship

One tool in this suite of technical assistance services is the Farber Internship Program –a 10-week-long immersion for graduate students pursuing their MBA or other relevant degree programs (e.g., MPA, MPH, MSW) who want to explore careers in social enterprise. During the summer, between the first and second year of their coursework, Farber interns are embedded within portfolio organizations and apply their business skills to strategic projects that help the social enterprises strengthen their underlying business, including double bottom line accounting & social costs, employee support programs, and measurement & social return on investment.

Learning and Evidence

Learning and Evidence ensures REDF can transform information into insight to move the field forward, influence smart public policy, and drive support to ESEs. Its role, particularly at the onset of a new strategic period, cannot be underestimated as core to REDF's work is the ability to set clear intentions in our strategy – both in the impact to be created and the intended learnings to be had. In 2021, REDF completed a five-year evaluation project with RTI International and completed logic models and our overall measurement strategy to support REDF's five-year plan.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, continued

REDFworkshop

The REDFworkshop network has a **membership base of over 4,400+ members** that are leveraged for communications, programs, and advocacy efforts. It is a learning resource, a connector, and a community of people working together to build a national social movement of employment-focused social enterprises. United in one easy-to-use platform, REDFworkshop is the place to go for practitioners who want to learn about social enterprise, grow their businesses, increase their impact, and support the power of a job to transform a life.

Educational Resources for all stage social enterprises include webinars; learning guides; tools; case studies; and for early-stage organizations, an enhanced tools suite to assist with business model development and starting operations.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Principles of Consolidation

The consolidated financial statements of REDF and its Affiliate, RIIF are collectively known as REDF and Affiliate. All inter-organization transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Net Assets

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

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

REDF and Affiliate has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

Certificates of Deposits

Certificates of deposits with an original maturity of six months or more are not considered cash and cash equivalents and reflected separately on the Consolidated Statement of Financial Position as they are deemed longer term investments.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable are receivables from government agencies. No allowance for doubtful accounts has been provided as they are all deemed collectible.

Loans Receivable

Loans receivable are receivables from recipients of loans serviced by REDF and Affiliate under its Impact Lending program. Total loans receivable at December 31, 2021 and 2020 were \$1,581,533 and \$1,491,787, respectively (see Note 4).

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. REDF and Affiliate reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2021, REDF and Affiliate did not receive any donated services.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks

REDF and Affiliate places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. Seven accounts totaling \$16,385,219 held by REDF and Affiliate at various institutions were in excess of the FDIC insurance limit. REDF and Affiliate has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2021, consists of pledges receivable due from foundations and individuals. Concentrations of credit risks with respect to such pledge receivables are limited, as the majority of REDF and Affiliate’s pledge receivables were historically fully collected by REDF and Affiliate.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

REDF and Affiliate are required to measure donated services and pledged contributions at fair value. The specific technique used to measure fair value for these consolidated financial statement elements are described in the notes below that relate to each element.

Income Taxes

REDF and Affiliate are exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by REDF and Affiliate in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. REDF and Affiliate’s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

REDF and Affiliate recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, 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.

A portion of REDF and Affiliate's revenue are derived from cost-reimbursable federal, state, county or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when REDF and Affiliate has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Consolidated Statement of Financial Position.

Functional Allocation of Expenses

Costs of providing REDF and Affiliate's programs and other activities have been presented in the Consolidated Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services based upon on a ratio of time devoted to functional areas.

Use of Estimates

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

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with REDF and Affiliate's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

The following reflects REDF and Affiliate's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if management approves that action. Management reports on its liquidity and availability of financial assets to the Finance Committee on a quarterly basis.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 15,006,353	\$ 11,467,680
Certificates of deposits	1,583,875	2,367,803
Accounts receivable	363,055	773,252
Accrued interest Receivable	23,596	-
Loans receivable	1,581,533	1,491,787
Pledges receivable	<u>27,350,462</u>	<u>32,299,582</u>
Financial assets, at year end	45,908,874	48,400,104
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions for time or purpose	(20,421,739)	(26,158,174)
Management designation for liquidity reserves	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 23,487,135</u>	<u>\$ 20,241,930</u>

REDF and Affiliate is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, REDF and Affiliate must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of REDF and Affiliate's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, REDF and Affiliate invests cash in excess of daily requirements in short-term investments.

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans Receivable

Loans receivable consist of mission-related loans made by REDF and Affiliate to mission-based organizations. The loans are generally collateralized by mortgages, business assets, guarantees and pledges from nonprofit organizations. Loans receivable are stated at the principal amount outstanding net of the allowance for loan losses, deferred origination fee revenues and unamortized direct costs. Interest income on a loan is accrued on the outstanding principal at the loan's stated interest rate and accrued interest income is classified as other receivables. REDF and Affiliate has the ability and intent to hold the loans to maturity. As of December 31, 2021 and 2020, management believes all loans receivable share a similar risk profile, are homogenous in nature (i.e. employment social enterprise) and are therefore consolidated for disclosure purposes.

REDF and Affiliate prepares an annual assessment of its origination fee revenues and the cost associated with the origination of loans to evaluate the need for capitalization and amortization of these costs. The net amount of deferred origination fees and unamortized initial direct cost, if any, would be reported as part of the loans receivable balance to which it relates on the accompanying consolidated statement of financial position. As of December 31, 2021 and 2020, REDF and Affiliate had \$20,895 and \$7,781 respectively in net deferred origination fee revenues and unamortized direct costs recorded on the accompanying Consolidated Statement of Financial Position.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of potential losses inherent in REDF and Affiliate's loan portfolio. In general, credit exposures deemed to be uncollectible are charged to the allowance. Recaptures on previously charged-off amounts are credited to the allowance.

Management evaluates the adequacy of the allowance based on historical and best effort projected performance of its portfolio as well as internal and external factors and trends such as operational efficiency, national and local economic conditions and the adequacy of other cash loan loss reserves available.

The overall allowance may consist of:

- specific allowances for individually identified impaired loans ("ASC 310-10"); and
- general allowances for pools of loans ("ASC 450-20"), which incorporates quantitative (e.g., historical loan loss rates) and qualitative risk factors (e.g., portfolio growth and trends, credit concentrations, economic and regulatory factors, etc.).

REDF and Affiliate extends credit to organizations that are mission related. REDF and Affiliate has a policy of maintaining an allowance for loan losses equal to 10% or more of the outstanding principal value of the portfolio. 10% or more is based on management's observation of similar peer lending institutions, market assessment and qualitative risk factors associated with REDF and Affiliate's loan portfolio, most notably the size of the portfolio and the credit quality of the underlying borrowers. It was in 2020 that REDF and Affiliate fully reserved for one past due loan in the amount of \$100,000. Management believes that the allowance as of December 31, 2021 would properly cover in the event of any possible default.

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans Receivable, continued

As of the years ended December 31, 2021 and 2020, the allowance for loan losses were \$273,404 and \$264,889, respectively.

As of the year ended December 31, 2021 and 2020 the total loans receivable are summarized as follows:

	<u>2021</u>	<u>2020</u>
Loans receivable, principal outstanding	\$1,834,042	\$1,748,895
Deferred origination fee revenues, net	20,895	7,781
Allowance for loan losses	<u>(273,404)</u>	<u>(264,889)</u>
Loans receivable, net of deferred fees and allowances	<u>\$1,581,533</u>	<u>\$1,491,787</u>

The following table summarizes the allowance for loan losses:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$264,889	\$ 81,500
Provisions for loan losses during the year	8,515	183,389
Loans charged-off	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$273,404</u>	<u>\$264,889</u>

Principal values of the loans included in the current portfolio range from \$40,000 to \$500,000, with interest rates ranging from 4% to 7.5% and terms ranging from six to 96 months. During the year ended December 31, 2021, REDF and Affiliate disbursed two loans of \$200,000 and one loan of \$75,000, and also approved 3 lines of credit totaling \$880,000. As of the year ended December 31, 2021, the REDF and Affiliate loan portfolio contained one past due loan in the amount of \$100,000 that was fully reserved for in 2020, and no non-accrual or impaired loans. Total amount of loans receivable as of December 31, 2021 of \$1,834,042 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2022	\$ 441,101
2023	445,493
2024	504,234
2025	272,324
2026	133,047
Thereafter	<u>37,843</u>
	1,834,042
Less: allowance for loan losses	(273,404)
Less: deferred origination fee revenues, net	<u>20,895</u>
Loans receivable, net of deferred fees and allowances	<u>\$1,581,533</u>

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans Receivable, continued

REDF and Affiliate performs ongoing credit evaluations of their borrowers, maintaining allowances for potential credit losses, when appropriate. For certain extensions of credit, REDF and Affiliate may require collateral, based on their assessment of a borrower's credit risk. REDF and Affiliate holds various types of collateral including real estate, accounts receivable, inventory, equipment, guarantees and financial instruments. Collateral requirements for each borrower may vary according to the specific credit underwriting, terms and structure of loans funded.

Certain commitments are subject to loan agreements with covenants regarding the financial performance of the borrower that must be met before REDF and Affiliate are required to fund the commitment. In addition, REDF and Affiliate manages the potential risk in credit commitments by limiting the total amount of arrangements, both by organizations or affiliates and by monitoring the size and maturity structure of these loans. Although REDF and Affiliate believes the related collateral to be adequate, there is no assurance that the underlying assets have sufficient value to fully collateralize the outstanding balances.

5. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at December 31, 2021 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2021. A discount rate of 0.7% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at December 31, 2021 of \$27,350,462 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2022	\$ 8,340,013
2023	6,702,200
2024	6,395,594
2025	<u>6,175,747</u>
	27,613,554
Less: unamortized discount on pledges receivable	<u>(263,092)</u>
Total pledges receivable	<u>\$27,350,462</u>

REDF and Affiliate also received pledged support that will be funded by the respective donors' Donor Advised Funds ("DAF"). These pledges have not been recorded by REDF and Affiliate because generally accepted accounting principles only permits the recording of these DAF funded pledges on a cash basis, which is when the funds have been received. DAF funded pledges that have not been recorded but are expected to be received by REDF and Affiliate over the next five years are as follows:

<u>Year ending December 31,</u>	
2022	\$1,715,000
2023	1,350,000
2024	985,000
2025	985,000
2026	<u>500,000</u>
Total DAF pledges	<u>\$5,535,000</u>

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below shows transactions measured at fair value on a non-recurring basis during the year ended December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions (new)	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,406,988</u>	<u>\$2,406,988</u>

The fair value of pledged contributions (new) is measured on a non-recurring basis based on the value provided by the donor at the date of pledge (Level 3 inputs).

7. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Website	\$ 352,833	\$ 352,833
Leasehold improvement	166,655	9,452
Computer	197,166	160,351
Furnishing and equipment	165,531	141,379
Software	<u>239,571</u>	<u>239,571</u>
	<u>1,121,756</u>	<u>903,586</u>
Less: accumulated depreciation	<u>(863,355)</u>	<u>(785,630)</u>
Loans receivable, net of deferred fees and allowances	<u>\$ 258,401</u>	<u>\$ 117,956</u>

Depreciation expense for the years ended December 31, 2021 and 2020 were \$77,725 and \$161,526, respectively.

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Notes Payable

Notes payable at December 31, 2021 consist of the following:

An unsecured note payable with a foundation including interest at 3% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2029. REDF has guaranteed the full repayment of the note payable for the first thirty-six months of its term.	\$ 500,000
An unsecured note payable with a foundation including interest at 3% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2026.	250,000
An unsecured note payable with a foundation including interest at 3% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2029.	1,000,000
Eight unsecured note payable with individuals as brokered by an impact investment management firm including interest at 3% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2026.	800,000
An unsecured note payable with a foundation including interest at 3% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2031.	<u>200,000</u>
	2,750,000
Less: debt issuance costs	<u>(13,210)</u>
	<u>\$2,736,790</u>

Amortized maturities for the loans are as follows:

<u>Year ending December 31,</u>	
2022	\$ 20,000
2023	105,211
2024	303,178
2025	352,337
2026	269,274
Thereafter	<u>1,700,000</u>
	<u>\$2,750,000</u>

9. Commitments and Contingencies

Letter of Credit

As of December 31, 2021, REDF and Affiliate had a standby letter of credit as security for the performance of a lease agreement in the amount of \$112,287. The letter matures on September 2023.

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Commitments and Contingencies, continued

Obligations under Operating Leases

REDF and Affiliate leases various facilities under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending December 31,</u>	
2022	\$ 445,041
2023	500,522
2024	437,505
2025	<u>450,609</u>
Total future minimum payments	<u>\$1,833,677</u>

Rent expense under operating leases for the years ended December 31, 2021 and 2020 were \$124,050 and \$429,320, respectively.

Contracts

REDF and Affiliate's government contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, REDF and Affiliate has no provision for the possible disallowance of program costs on its consolidated financial statements.

Impact of the COVID-19 Virus

Following the State of California COVID-19 protocols, REDF and Affiliate has been conducting activities as usual with consideration of social distancing and remote work opportunities. The long-term impact of the COVID-19 virus on REDF and Affiliate cannot be foreseen at this time and is not reflected in these financial statements.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Time restricted support	\$28,362,962	\$32,292,145
Support for REDF and Affiliate Social Enterprise Programs	<u>3,194,062</u>	<u>1,511,315</u>
	<u>\$31,557,024</u>	<u>\$33,803,460</u>

For the year ended December 31, 2021, net assets released from time and purpose restrictions were \$9,267,326 and \$1,138,719, respectively. Net assets released from time and purpose restrictions for the year ended December 31, 2020 were \$6,203,111 and \$48,891,862, respectively.

continued

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fiscal Sponsorship Activity

REDF and Affiliate are the Fiscal Sponsor for an organization called Impact Recyclers. The Fiscal Sponsorship activity for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Fiscal sponsor revenues	\$ -	\$ 21,525
Fiscal sponsor expenses	<u>(2,399)</u>	<u>(26,047)</u>
Net fiscal sponsorship activity	<u><u>\$ (2,399)</u></u>	<u><u>\$ (4,522)</u></u>

12. Paycheck Protection Program

On April 7, 2020, REDF and Affiliate received loan proceeds in the amount of \$1,007,308 under the U.S. Small Business Association (SBA) Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (“CARES Act”), provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a period of up to twenty-four weeks (the “covered period”) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The PPP loan amount of \$1,007,308 at December 31, 2020 reflects the original loan proceeds plus accrued interest.

Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness 10 months after the end of the borrower’s loan forgiveness covered period. REDF and Affiliate intends to use the proceeds for purposes consistent with the PPP.

On April 14, 2021, REDF and Affiliate received notification from the SBA informing that the PPP loan in the amount of \$1,007,308, was forgiven.

The SBA reserves the right to review any loan in their discretion and the SBA will review any loan over \$2 million. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

13. Pension Plan and Deferred Compensation

REDF and Affiliate participate in a qualified defined contribution 401(k) tax deferred retirement plan. REDF and Affiliate makes matching contributions to the employee contributions up to 4% of gross pay for each pay. Employees must contribute to trigger this match. Employer contributions under this plan for the years ended December 31, 2021 and 2020 were \$218,981 and \$179,231, respectively.

REDF AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Events

REDF and Affiliate received proceeds of \$1,000,000 in February 2022 from a 1% unsecured note payable with a foundation executed in November 2021.

Additionally, in November and December 2021, REDF and Affiliate issued lines of credits to three borrowers in the amounts of \$180,000, \$200,000, and \$500,000.00 with one year terms and interest rates ranging from 6%-7%. These lines of credits were not drawn upon until January and February 2022, and therefore not shown as part of REDF and Affiliate's distributed loan balance as of December 31, 2021. Between these lines of credits issued and distributed loan assets, REDF and Affiliate's loan portfolio as of December 31, 2021 includes 14 borrowers.

Management has evaluated subsequent events through May 16, 2022, the date which the financial statements were available for issue. No other events or transactions, other than noted above, have occurred during this period that appear to require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

	REDF	RIIF	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 11,711,806	\$ 3,294,547	\$ -	\$ 15,006,353
Certificates of deposits (Note 2)	1,583,875			1,583,875
Accounts receivable (Note 2)	399,232	26,323	(62,500)	363,055
Accrued interest receivable		23,596		23,596
Loans receivable, net of deferred fees of \$5,385 and allowance of \$81,500 (Note 4)		1,581,533		1,581,533
Pledges receivable (Note 5)	27,287,962	62,500		27,350,462
Prepaid expenses and other assets	264,680			264,680
Deposits	16,730			16,730
Property and equipment (Note 7)	258,401			258,401
	TOTAL ASSETS	\$ 4,988,499	\$ (62,500)	\$ 46,448,685
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 413,612	\$ 64,000	\$ (62,500)	\$ 415,112
Accrued liabilities	880,623	4,250		884,873
Note payable - net (Note 8)		2,736,790		2,736,790
Deferred revenue		121,000		121,000
	TOTAL LIABILITIES	2,926,040	(62,500)	4,157,775
NET ASSETS				
Without donor restrictions	6,833,927	1,899,959		8,733,886
Without donor restrictions - Board designated	2,000,000			2,000,000
With donor restrictions (Note 10)	31,394,524	162,500		31,557,024
	TOTAL NET ASSETS	2,062,459	-	42,290,910
	TOTAL LIABILITIES AND NET ASSETS	\$ 4,988,499	\$ (62,500)	\$ 46,448,685

See independent auditors' report

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	<u>REDF</u>	<u>RIIF</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE AND SUPPORT					
Government contracts	\$ 1,138,719	\$ -	\$ 1,138,719	\$ -	\$ 1,138,719
Contributions	8,972,510	1,587	8,974,097		8,974,097
Investment income	6,798	119,005	125,803		125,803
Paycheck protection program loan forgiveness (Note 12)	1,007,308		1,007,308		1,007,308
Other income	439,716		439,716	(439,616)	100
Donated services (Note 2)		517,761	517,761	(517,761)	-
TOTAL REVENUE AND SUPPORT	<u>11,565,051</u>	<u>638,353</u>	<u>12,203,404</u>	<u>(957,377)</u>	<u>11,246,027</u>
EXPENSES					
Program services	10,202,543	591,531	10,794,074	(896,131)	9,897,943
Management and general	2,821,221	32,751	2,853,972	(61,246)	2,792,726
Fundraising	985,452		985,452		985,452
TOTAL EXPENSES	<u>14,009,216</u>	<u>624,282</u>	<u>14,633,498</u>	<u>(957,377)</u>	<u>13,676,121</u>
CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP ACTIVITY	(2,444,165)	14,071	(2,430,094)	-	(2,430,094)
FISCAL SPONSORSHIP ACTIVITY (NOTE 11)	<u>(2,399)</u>		<u>(2,399)</u>		<u>(2,399)</u>
CHANGE IN NET ASSETS	(2,446,564)	14,071	(2,432,493)	-	(2,432,493)
NET ASSETS, BEGINNING OF YEAR	<u>42,675,015</u>	<u>2,048,388</u>	<u>44,723,403</u>		<u>44,723,403</u>
NET ASSETS, END OF YEAR	<u>\$ 40,228,451</u>	<u>\$ 2,062,459</u>	<u>\$ 42,290,910</u>	<u>\$ -</u>	<u>\$ 42,290,910</u>

See independent auditors' report

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - PROGRAMS ONLY

For the year ended December 31, 2021

	<u>Growth Portfolio/ Evidence</u>	<u>Partnerships</u>	<u>Accelerator</u>	<u>Other Programs</u>	<u>RIIF Program</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Salaries	\$ 1,321,239	\$ 515,998	\$ 374,795	\$ 2,109,616	\$ -	\$ 4,321,648	\$ -	\$ 4,321,648
Payroll taxes	106,177	40,830	30,338	168,363		345,708		345,708
Employee benefits	225,245	97,022	47,872	423,612		793,751		793,751
Total personnel costs	<u>1,652,661</u>	<u>653,850</u>	<u>453,005</u>	<u>2,701,591</u>	<u>-</u>	<u>5,461,107</u>	<u>-</u>	<u>5,461,107</u>
Industry expertise and consultants	752,889	472,412	180,423	684,546	514,453	2,604,723	(439,616)	2,165,107
Program grants	1,300,000		320,000	456,515		2,076,515	(456,515)	1,620,000
Technology	67,279	33,194	20,645	111,056		232,174		232,174
Payroll services						-		-
Occupancy	28,741	13,804	8,393	47,063		98,001		98,001
Other	24,903	4,448	3,759	41,888	1,083	76,081		76,081
Depreciation	16,129	7,747	4,710	26,412		54,998		54,998
Accounting, auditing, and legal				1,076		1,076		1,076
Interest expense					64,000	64,000		64,000
Travel and meals	4,605	521	1,830	23,018	2,567	32,541		32,541
Insurance						-		-
Training and professional development	2,074	180	100	3,790		6,144		6,144
Recruiting				795		795		795
Events	418	2,104	3,158	27,547		33,227		33,227
Equipment rental and maintenance	6,429	3,088	1,877	10,624		22,018		22,018
Conference and meetings	3,905	555	255	4,008	225	8,948		8,948
Dues and subscriptions	36	17	11	1,059	608	1,731		1,731
Provision for loan losses					8,515	8,515		8,515
Postage and shipping	1,547	742	452	3,321	25	6,087		6,087
Office supplies	1,689	635	459	2,555	55	5,393		5,393
TOTAL 2021 FUNCTIONAL EXPENSES	<u><u>\$ 3,863,305</u></u>	<u><u>\$ 1,193,297</u></u>	<u><u>\$ 999,077</u></u>	<u><u>\$ 4,146,864</u></u>	<u><u>\$ 591,531</u></u>	<u><u>\$ 10,794,074</u></u>	<u><u>\$ (896,131)</u></u>	<u><u>\$ 9,897,943</u></u>

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REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - MANAGEMENT AND GENERAL ONLY

For the year ended December 31, 2021

	REDF	RIIF	Eliminations	Consolidated
Salaries	\$ 1,486,001	\$ -	\$ -	\$ 1,486,001
Payroll taxes	107,518			107,518
Employee benefits	395,219			395,219
Total personnel costs	1,988,738	-	-	1,988,738
Industry expertise and consultants	265,632			265,632
Program grants	61,246		(61,246)	-
Technology	71,316	195		71,511
Payroll services	155,559			155,559
Occupancy	30,453			30,453
Other	7,268	986		8,254
Depreciation	17,090			17,090
Accounting, auditing, and legal	49,243	21,911		71,154
Travel and meals	14,135			14,135
Insurance	39,845	9,659		49,504
Training and professional development	40,979			40,979
Recruiting	37,586			37,586
Events	714			714
Equipment rental and maintenance	6,812			6,812
Conference and meetings	15,049			15,049
Dues and subscriptions	16,808			16,808
Provision for loan losses				-
Postage and shipping	1,724			1,724
Office supplies	1,024			1,024
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 2,821,221	\$ 32,751	\$ (61,246)	\$ 2,792,726

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REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - FUNDRAISING ONLY

For the year ended December 31, 2021

	<u>REDF</u>	<u>RIIF</u>	<u>Eliminations</u>	<u>Consolidated</u>
Salaries	\$ 577,747	\$ -	\$ -	\$ 577,747
Payroll taxes	41,084			41,084
Employee benefits	98,530			98,530
Total personnel costs	<u>717,361</u>	<u>-</u>	<u>-</u>	<u>717,361</u>
Industry expertise and consultants	207,550			207,550
Program grants				-
Technology	23,560			23,560
Payroll services				-
Occupancy	10,044			10,044
Other	8,309			8,309
Depreciation	5,637			5,637
Accounting, auditing, and legal				-
Travel and meals	6,610			6,610
Insurance				-
Training and professional development				-
Recruiting				-
Events	958			958
Equipment rental and maintenance	2,247			2,247
Conference and meetings	894			894
Dues and subscriptions	13			13
Provision for loan losses				-
Postage and shipping	544			544
Office supplies	<u>1,725</u>			<u>1,725</u>
TOTAL 2021 FUNCTIONAL EXPENSES	<u><u>\$ 985,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 985,452</u></u>

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ADDITIONAL INFORMATION

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
REDF and Affiliate

We have audited in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of REDF and Affiliate (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2021, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered REDF and Affiliate's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of REDF and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of REDF and Affiliate's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether REDF and Affiliate's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oakland, California

May 16, 2022