HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

REDF AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
and
ADDITIONAL INFORMATION

DECEMBER 31, 2022

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C O N T E N T S

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, 2022, 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, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

Auditors' 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 auditors' 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 and *Government 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.

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In performing an audit in accordance with generally accepted auditing standards and *Government 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Statement of Financial Position, Consolidating Statement of Activities, Consolidating Statement of Functional Expenses – Programs Only, Consolidating Statement of Functional Expenses – Management and General Only, and Consolidating Statement of Functional Expenses – Fundraising Only, are presented for purposes of additional analysis and are 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited REDF and Affiliate's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 30, 2023, 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 30, 2023

REDF AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2022
With comparative totals at December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
ASSETS				
Cash and cash equivalents	$ 15,297,812	$ 6,975,228	**$ 22,273,040**	$ 15,006,353
Certificates of deposits (Note 2)	1,595,891		**1,595,891**	1,583,875
Accounts receivable (Note 2)	504,715		**504,715**	363,055
Accrued interest receivable	10,665		**10,665**	23,596
Loans receivable, net of deferred fees of $18,282 and				-
allowance of $293,462 (Note 4)	1,759,442		**1,759,442**	1,581,533
Pledges receivable (Note 5)		22,506,994	**22,506,994**	27,350,462
Prepaid expenses and other assets	218,758		**218,758**	264,680
Deposits	16,730		**16,730**	16,730
Property and equipment (Note 7)	262,124		**262,124**	258,401
Right of use asset - operating lease (Note 8)	2,560,907		**2,560,907**	-
TOTAL ASSETS	$ 22,227,044	$ 29,482,222	**$ 51,709,266**	$ 46,448,685
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 376,907	$ -	**$ 376,907**	$ 415,112
Accrued liabilities	848,816		**848,816**	884,873
Operating lease liability (Note 8)	2,560,907		**2,560,907**	
Notes payable - net (Note 9)	6,809,312		**6,809,312**	2,736,790
Deferred revenue	371,000		**371,000**	121,000
TOTAL LIABILITIES	10,966,942	-	**10,966,942**	4,157,775
NET ASSETS				
Without donor restrictions	9,260,102		**9,260,102**	8,733,886
Without donor restrictions - Board designated	2,000,000		**2,000,000**	2,000,000
With donor restrictions (Note 11)		29,482,222	**29,482,222**	31,557,024
TOTAL NET ASSETS	11,260,102	29,482,222	**40,742,324**	42,290,910
TOTAL LIABILITIES AND NET ASSETS	$ 22,227,044	$ 29,482,222	**$ 51,709,266**	$ 46,448,685

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, 2022
With comparative totals for the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
REVENUE AND SUPPORT				
Contributions	$ 3,160,629	$ 12,461,272	**$ 15,621,901**	$ 8,974,097
Government contracts		1,310,060	**1,310,060**	1,138,719
Investment income	280,213		**280,213**	125,803
Other income	2,800		**2,800**	100
Paycheck protection program loan forgiveness			**-**	1,007,308
Net assets released from restrictions (Note 10)	15,846,134	(15,846,134)	**-**	-
TOTAL REVENUE AND SUPPORT	19,289,776	(2,074,802)	**17,214,974**	11,246,027
EXPENSES				
Program services	14,673,681		**14,673,681**	9,897,943
Management and general	2,807,084		**2,807,084**	2,792,726
Fundraising	1,282,795		**1,282,795**	985,452
TOTAL EXPENSES	18,763,560	-	**18,763,560**	13,676,121
CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP ACTIVITY	526,216	(2,074,802)	**(1,548,586)**	(2,430,094)
FISCAL SPONSORSHIP ACTIVITY			**-**	(2,399)
CHANGE IN NET ASSETS	526,216	(2,074,802)	**(1,548,586)**	(2,432,493)
NET ASSETS, BEGINNING OF YEAR	10,733,886	31,557,024	**42,290,910**	44,723,403
NET ASSETS, END OF YEAR	$ 11,260,102	$ 29,482,222	**$ 40,742,324**	$ 42,290,910

REDF AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022
With comparative totals for the year ended December 31, 2021

	Program Services				Total			Total Expenses	
	Growth Portfolio	**Accelerator**	**Government Partnerships**	**Other Programs**	**Program Services**	**Management and General**	**Fundraising**	**2022**	2021
Salaries	$ 1,028,402	$ 494,855	$ 661,265	$ 2,881,933	$ 5,066,455	$ 1,466,899	$ 649,640	**$ 7,182,994**	$ 6,385,396
Payroll taxes	80,259	39,158	52,026	222,008	393,451	98,867	44,825	**537,143**	494,310
Employee benefits	176,077	59,398	137,016	591,793	964,284	345,644	89,028	**1,398,956**	1,287,500
Total personnel costs	1,284,738	593,411	850,307	3,695,734	6,424,190	1,911,410	783,493	**9,119,093**	8,167,206
Program grants	3,211,329	700,000	30,000	119,600	4,060,929			**4,060,929**	1,620,000
Industry expertise and consultants	525,790	190,326	600,375	915,571	2,232,062	88,717	380,715	**2,701,494**	2,638,289
Occupancy	68,505	33,855	51,239	198,366	351,965	96,203	36,091	**484,259**	138,498
Travel and meals	19,477	78,224	6,822	253,630	358,153	102,517	15,885	**476,555**	53,286
Technology	56,834	28,087	42,594	168,966	296,481	79,019	29,942	**405,442**	327,245
Provision for loan losses				279,566	279,566			**279,566**	8,515
Other	50,586	9,494	5,159	155,549	220,788	5,358	19,403	**245,549**	92,644
Events		50,442	4,554	129,198	184,194	1,132	3,005	**188,331**	34,899
Accounting, auditing, and legal				3,195	3,195	157,380		**160,575**	72,230
Interest expense				117,983	117,983			**117,983**	64,000
Payroll services					-	103,397		**103,397**	155,559
Conference and meetings	5,497	8	905	15,886	22,296	51,762	658	**74,716**	24,891
Depreciation	10,594	5,236	7,924	30,677	54,431	14,677	5,581	**74,689**	77,725
Insurance					-	61,185		**61,185**	49,504
Equipment rental and maintenance	6,977	3,410	5,120	19,796	35,303	9,802	3,804	**48,909**	31,077
Training and professional development	270			3,997	4,267	44,067	227	**48,561**	47,123
Recruiting				286	286	41,824		**42,110**	38,381
Dues and subscriptions				863	863	28,142	4	**29,009**	18,552
Office supplies	3,536	2,415	4,080	7,209	17,240	7,928	2,996	**28,164**	8,142
Postage and shipping	1,840	909	1,376	5,364	9,489	2,564	991	**13,044**	8,355
TOTAL 2022 FUNCTIONAL EXPENSES	**$ 5,245,973**	**$ 1,695,817**	**$ 1,610,455**	**$ 6,121,436**	**$ 14,673,681**	**$ 2,807,084**	**$ 1,282,795**	**$ 18,763,560**	
TOTAL 2021 FUNCTIONAL EXPENSES	$ 3,863,305	$ 999,077	$ 1,193,297	$ 3,842,264	$ 9,897,943	$ 2,792,726	$ 985,452		$ 13,676,121

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, 2022
With comparative totals for the year ended December 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,548,586)	$ (2,432,493)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,689	77,725
Paycheck protection program forgiveness portion		(1,007,308)
Allowance for loan losses	20,058	8,515
Deferred loan origination costs (fee income)	2,613	(13,113)
(Increase) decrease in operating assets:		
Accounts receivable	(191,510)	386,601
Pledges receivable	4,843,467	4,949,119
Accrued interest receivable	12,931	
Prepaid expenses, deposits and other assets	(204,078)	(131,665)
Increase (decrease) in operating liabilities:		
Accounts payable	11,645	(17,518)
Accrued liabilities	213,943	124,606
Deferred revenue	250,000	121,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,485,172	2,065,469
CASH FLOWS FROM INVESTING ACTIVITIES:		
New loans issued	(734,375)	(475,000)
Proceeds from repayment of loans receivable	555,207	389,852
Loans receivable write off	259,508	
New lines of credit	(2,150,710)	-
Proceeds from repayments of lines of credit provided	1,869,790	-
Purchase of property and equipment	(78,411)	(218,169)
Net proceeds from maturing and purchase of certificates of deposits	(12,016)	783,928
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(291,007)	480,611
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on loan payable	4,072,522	992,593
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,072,522	992,593
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,266,687	3,538,673
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,006,353	11,467,680
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,273,040	$ 15,006,353
NON-CASH INVESTING ACTIVITY:		
Right of use assets upon adoption of ASC 842	$ 2,560,907	$ -

The accompanying notes are an integral part of these 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 **260** ESEs in **36** States and DC, which have earned and reinvested in their businesses **$2 billion** in revenue and employed over **108,000** people, helping to amplify the impact of public sector investments while improving lives and communities.

These 108,000 people were once part of the millions of Americans who remain sidelined from access and opportunity. Some because of the trauma of homelessness, disconnection from school or work, and other steep barriers to employment—barriers often caused and compounded by the racial inequities 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 during the COVID-19 pandemic.

Our 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 access for leaders most proximate to the communities we 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.

continued

1. Organization, continued

In 2022, the second year of our current five-year strategic period alone, REDF deployed grants and loans, and unlocked from the public sector over $27 million in capital for ESEs, supporting 81 leaders and their enterprises through REDF core programs, and over 100 ESEs through the REDF Community. All of these enterprises combined employed over 22,000 people last year.

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.

Core Programs

Accelerator

The Accelerator program is a 5-month supportive, cohort-based, curated learning experience – where leaders of early-stage ESEs work together to help springboard their growth. In 2022, 35 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 an ESE, increase the number of people their companies employ, and improve their employee supports 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 2022, REDF's Growth Portfolio consisted of 23 ESEs which included ten new ESEs that 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 ESEs 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, 2022, RIIF is managing a portfolio of 13 borrowers.

continued

1. Organization, continued

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 became certified as a Community Development Financial Institution (CDFI) in January 2022. Certification is a formal acknowledgement from the U.S. Treasury's CDFI Fund that RIIF prioritizes financing to underserved communities. RIIF's CDFI certification will unlock additional flexible capital to help catalyze growth in RIIF portfolio companies and create more jobs for overlooked talent nationwide. RIIF is disclosed as an affiliate of REDF due to the strategic and operational relationship between the two entities.

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 2022, REDF collaborated with the State of California to create the first statewide program of its kind in the U.S., the new California Regional Initiative for Social Enterprises (CA:RISE). CA:RISE will supercharge the power of California's ESEs to advance economic inclusion and mobility for people overcoming barriers to employment. With approved funding of $25 million in the 2022-2023 state budget, the new California Regional Initiative for Social Enterprises (CA:RISE) will invest in and scale ESEs statewide, creating a stronger and more inclusive economic and workforce development system for the Golden State.

Government Partnerships

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

LA:RISE is a public sector partnership in Greater Los Angeles, where ESEs, the local workforce system, and the city and county come together to get more Angelenos back to work. Now in its eighth program year, LA:RISE consists of sixteen ESEs, six WorkSource Centers (WSC), three Youth Source Centers (YSC), one specialized retention provider, one legal provider, and eleven America's Job Centers of California (AJCC). LA:RISE is a Top 10 Productivity and Quality Award Winner from the LA County Quality and Productivity Commission.

SNAP E&T

In all our work with ESEs, we help them access resources – whether through our own programs, network, or through publicly available resources – to fuel their sustainability and thereby reach more people. One such additional resource is government funding through SNAP (Supplemental Nutrition and Assistance Program) Employment and Training – a program designed to fund organizations that help people struggling in poverty to secure and sustain gainful employment.

continued

1. Organization, continued

These public funds are a strong match for the programs our ESEs operate, yet are underleveraged due to our field's lack of awareness about their availability and how to access. To help resolve this gap, REDF provides technical assistance to ESEs across the country about how to access this vital support.

REDF's SNAP E&T work also includes co-managing the Skill Up Los Angeles program which connects CalFresh Employment & Training funding with Los Angeles County workforce development agencies including 6 ESEs, so that more Angelenos can get the jobs, training, and support they need to enter and succeed in the workforce. Skill Up Los Angeles is the first CalFresh Employment & Training third-party partnership program to be offered in Los Angeles. It increases local access to workforce and training services by leveraging federal and third-party provider dollars at no additional cost to the County.

In 2022, in partnership with USDA, Seattle Jobs Initiative and Center for Employment Opportunities, REDF selected 24 ESEs to receive a combination of specialized training, technical assistance, and peer mentorship to support their success as SNAP E&T providers. In total, REDF has provided technical assistance to 46 ESEs through our USDA contract.

Santa Clara County Regional Initiative for Social Enterprise (SCC:RISE)

County of Santa Clara – Office of Reentry contracted with REDF to create employment opportunities and paths to economic empowerment for Santa Clara County residents impacted by the justice system by launching new Employment Social Enterprises (and strengthening existing ones) and bringing the service ecosystem, employers, and partner organizations together to co-create solutions. The contract is for $1.3 million over two years. This contract is a groundbreaking opportunity to reimagine how we can collectively support justice impacted individuals with the public sector.

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 offers Community – a dedicated space and curated resources to help our social enterprise partners and their staff connect, grow, and lead. Community services include affinity groups to build deeper connections between entrepreneurs, a community-wide retreat to inform future strategy and learn with each other, network-wide professional development and individualized coaching for entrepreneurs.

Programmatic Supports

Outreach

REDF's outreach service triages prospective ESEs for REDF's programming and drives awareness of and interest in the larger ESE community. Their efforts target geographic expansion into under-capitalized regions across the country and have resulted in a greater percentage of organizations in our programs led by BIPOC leaders and leaders with lived experience.

continued

1. Organization, continued

Capacity Building

REDF delivers customized capacity building support alongside our capital investments and community-building work to amplify the success of our partners. We work side-by-side with social enterprises to evaluate opportunities for growth and create tailored technical assistance workplans that support each organization as it navigates the critical balance between profit and purpose, scale and 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 in portfolio organizations and apply their business skills to strategic projects that help the social enterprises strengthen their business, employee support programs, and measurement systems and better understand their business v. social costs and margins.

REDFworkshop

The REDFworkshop network has a **membership base of over 5,000+ 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 ESEs 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.

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. Core to REDF's work is our ability to set clear intentions in our strategy – both in the intended **learnings** to be had and the **impact** to be created.

continued

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated 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 twenty-four 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.

Accounts Receivable

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

continued

2. Summary of Significant Accounting Policies, continued

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, 2022 and 2021 were $1,759,442 and $1,581,533, 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.

Recently Adopted Accounting Pronouncement

REDF and Affiliates adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

This Standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2021. REDF and Affiliates' consolidated financial statements for the year ended December 31, 2022 are presented in accordance with ASU 2016-02.

Right of Use Asset – Operating Lease and Operating Lease Liability

REDF recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. REDF has a lessee in a noncancellable operating lease for office space. REDF determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. REDF recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease.

continued

2. Summary of Significant Accounting Policies, continued

Right of Use Asset – Operating Lease and Operating Lease Liability

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise REDF uses its incremental borrowing rate based on the information available at the commencement date for all leases. REDF incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized as equal to rent payments regardless of the point in time during the duration of the lease.

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, 2022, REDF and Affiliate did not receive any donated services.

Concentration of Credit Risks

REDF and Affiliate's priority is to place 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. REDF and Affiliate closely monitors the safety of any financial institution it banks with. As of December 31, 2022 five accounts, totaling $23,723,658, were held by REDF and Affiliate at two institutions that included amounts that were in excess of the FDIC insurance limit. As of March 2023, three accounts totaling $1,588,813 were held by REDF and Affiliate at one institution that included amounts that were in excess of the FDIC insurance limit. ***REDF and Affiliate has not incurred any losses related to these investments***.

The primary receivable balance outstanding at December 31, 2022, 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:

2. Summary of Significant Accounting Policies, continued

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.

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 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.

continued

2. Summary of Significant Accounting Policies, continued

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 consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through May 30, 2023, the date which the consolidated financial statements were available for issue. No events or transactions, have occurred during this period that appear to require recognition or disclosure in the 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.

	2022	2021
Cash and cash equivalents	**$ 22,273,040**	$ 15,006,353
Certificates of deposits	**1,595,891**	1,583,875
Accounts receivable	**504,565**	363,055
Accrued interest receivable	**10,665**	23,596
Loans receivable	**1,759,442**	1,581,533
Pledges receivable	**25,006,994**	27,350,462
Financial assets, at year end	**51,150,597**	45,908,874
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions for time or purpose	**(17,974,959)**	(20,421,739)
Management designation for liquidity reserves	**(2,000,000)**	(2,000,000)
Financial assets available to meet cash needs for general expenditures within one year	**$ 31,175,638**	$ 23,487,135

REDF and Affiliate are 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.

continued

3. Liquidity and Availability of Resources, continued

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.

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, 2022 and 2021, management believes all loans receivable, 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, 2022 and 2021, REDF and Affiliate had $18,282 and $20,895 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.).

continued

4. Loans Receivable, continued

REDF and Affiliate maintains an allowance for loan losses which shall be the greater of: 1) 10% of the total outstanding portfolio (the minimum allowance); and 2) the sum of the general allowances of performing loans and the specific allowances of non-performing loans assigned to each loan per REDF and Affiliate's risk rating system. The general allowances are set by Management, and reflect quantitative (e.g. historical loan loss rates or loan loss rates of peers) and qualitative risk factors (e.g. portfolio growth and trends, credit concentrations, economic and regulatory factors, etc.). These factors and percentages are revisited periodically and adjusted as warranted.

As of the years ended December 31, 2022 and 2021, the allowance for loan losses were $293,462 and $273,404, respectively.

As of the year ended December 31, 2022 and 2021 the total loans receivable are summarized as follows:

	2022	2021
Loans receivable, principal outstanding	**$2,034,622**	$1,834,042
Deferred origination fee revenues, net	**18,282**	20,895
Allowance for loan losses	**(293,462)**	(273,404)
Loans receivable, net of deferred fees and allowances	**$1,759,442**	$1,581,533

The following table summarizes the allowance for loan losses:

	2022	2021
Balance, beginning of year	**$ 273,404**	$264,889
Provisions for loan losses during the year	**279,566**	8,515
Loans charged-off	**(259,508)**	-
Balance, end of year	**$ 293,462**	$273,404

Principal values of the loans included in the current portfolio range from $50,000 to $500,000, with interest rates ranging from 4% to 7.5% and terms ranging from twelve to 100 months. During the year ended December 31, 2022, REDF and Affiliate disbursed three loans with amounts of $425,000, $250,000, and $50,000 respectively, and also approved one line of credit of $100,000. As of the year ended December 31, 2022, the REDF and Affiliate loan portfolio contained one non-accrual loan in the amount of $100,000 that was fully reserved for in 2020. This year's activity also included a write-off of one impaired loan with a remaining balance of $259,508. Total amount of loans receivable as of December 31, 2022 of $2,034,622 is expected to be collected as follows:

Year ending December 31,	
2023	$ 785,876
2024	623,199
2025	387,676
2026	189,041
2027	48,830
	2,034,622
Less: allowance for loan losses	(293,462)
Less: deferred origination fee revenues, net	18,282
Loans receivable, net of deferred fees and allowances	$1,759,442

continued

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 accounts receivable, inventory, equipment and guarantees. 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 is 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, 2022 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2022. A discount rate of 2.8% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at December 31, 2022 of $22,506,994 is expected to be collected as follows:

Year ending December 31,	
2023	$ 8,708,103
2024	7,971,493
2025	6,280,748
2026	110,000
	23,070,344
Less: unamortized discount on pledges receivable	(563,350)
Total pledges receivable	$22,506,994

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:

Year ending December 31,	
2023	$ 4,910,000
2024	4,635,000
2025	4,535,000
2026	550,000
Total DAF pledges	$14,630,000

continued

6. Fair Value Measurements

The table below shows transactions measured at fair value on a non-recurring basis during the year ended December 31, 2022:

	Level 1	Level 2	Level 3	Total
Pledged contributions (new)	$ -	$ -	$3,535,000	**$3,535,000**

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, 2022 and 2021 consist of the following:

	2022	2021
Website	**$ 352,833**	$ 352,833
Leasehold improvement	**175,672**	166,655
Computer	**196,576**	197,166
Furnishing and equipment	**200,559**	165,531
Software	**239,571**	239,571
	1,165,211	1,121,756
Less: accumulated depreciation	**(903,087)**	(863,355)
Loans receivable, net of deferred fees and allowances	**$ 262,124**	$ 258,401

Depreciation expense for the years ended December 31, 2022 and 2021 were $74,689 and $77,725, respectively.

8. Operating Lease

REDF has an operating lease for its corporate office, which has a term of 88 months and has been recorded in compliance with Accounting Standards Update (ASU) 2016-02. The operating lease monthly payments increases every twelve months. The right-of-use ("ROU") assets represents REDF's right to use underlying assets for the lease term, and lease liabilities represent REDF's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities, all of which arise from operating lease, were calculated based on the present value of future lease payments over the lease terms. REDF has made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of December 31, 2022, was 2.8%. The lease payments are recognized as equal to rent payments regardless of the point in time during the duration of the lease.

continued

8. Operating Lease, continued

Future minimum payments, by year and in the aggregate, under this lease consists of the following:

Year ending June 30,	
2023	$ 424,743
2024	437,505
2025	450,609
2026	464,203
2027	478,488
Thereafter	576,483
Total lease payments	2,832,031
Less: present value discount	(271,124)
	$2,560,907

Rent expense related to operating lease was $343,982 for the year ended December 31, 2022.

9. Notes Payable

Notes payable at December 31, 2022 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.	220,000
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 2030.	2,000,000
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.	200,000

continued

9. Notes Payable, continued

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 2027.	100,000
An unsecured note payable with a foundation including interest at 2% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2029.	2,000,000
An unsecured note payable with a university including interest at 1% payable in every quarter. The principal amount plus accrued interest to be paid off in year 2025.	1,000,000
	6,820,000
Less: debt issuance costs	(10,688)
	$6,809,312

Amortized maturities for the loans are as follows:

Year ending December 31,	
2023	$ 105,212
2024	319,228
2025	1,385,166
2026	303,099
2027	517,295
Thereafter	4,190,000
	$6,820,000

10. 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.

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.

continued

11. Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended December 31, 2022 and 2021 consist of the following:

	2022	2021
Time restricted support	**$20,606,993**	$28,362,962
Support for REDF and Affiliate Social Enterprise Programs	**8,875,229**	3,194,062
	$29,482,222	$31,557,024

For the year ended December 31, 2022, net assets released from time and purpose restrictions were $8,282,241 and $6,253,832, respectively. Net assets released from time and purpose restrictions for the year ended December 31, 2021 were $8,004,897 and $1,262,629, respectively.

12. 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, 2022 and 2021 were $255,448 and $218,981, respectively.

SUPPLEMENTARY INFORMATION

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2022

	REDF	RIIF	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 14,962,198	$ 7,310,842	$ -	**$ 22,273,040**
Certificates of deposits (Note 2)	1,588,813	7,078		**1,595,891**
Accounts receivable (Note 2)	617,215		(112,500)	**504,715**
Accrued interest receivable		10,665		**10,665**
Loans receivable, net of deferred fees of $18,282 and allowance of $293,462 (Note 4)		1,759,442		**1,759,442**
Pledges receivable (Note 5)	22,506,994			**22,506,994**
Prepaid expenses and other assets	468,758		(250,000)	**218,758**
Deposits	16,730			**16,730**
Property and equipment (Note 7)	262,124			**262,124**
Right of use asset - operating lease (Note 8)	2,560,907			**2,560,907**
TOTAL ASSETS	$ 42,983,739	$ 9,088,027	$ (362,500)	**$ 51,709,266**
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 376,757	$ 112,650	$ (112,500)	**$ 376,907**
Accrued liabilities	1,094,566	4,250	(250,000)	**848,816**
Operating lease liability (Note 8)	2,560,907			**2,560,907**
Notes payable - net (Note 9)		6,809,312		**6,809,312**
Deferred revenue		371,000		**371,000**
TOTAL LIABILITIES	4,032,230	7,297,212	(362,500)	**10,966,942**
NET ASSETS				
Without donor restrictions	7,469,287	1,790,815		**9,260,102**
Without donor restrictions - Board designated	2,000,000			**2,000,000**
With donor restrictions (Note 11)	29,482,222			**29,482,222**
TOTAL NET ASSETS	38,951,509	1,790,815	-	**40,742,324**
TOTAL LIABILITIES AND NET ASSETS	$ 42,983,739	$ 9,088,027	$ (362,500)	**$ 51,709,266**

See independent auditors' report

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2022

	REDF	RIIF	Total	Eliminations	Consolidated
REVENUE AND SUPPORT					
Contributions	$ 15,563,774	$ 58,127	$ 15,621,901	$ -	**$ 15,621,901**
Government contracts	1,310,060		1,310,060		**1,310,060**
Investment income	89,815	190,398	280,213		**280,213**
Other income	836,777		836,777	(833,977)	**2,800**
Donated services (Note 2)		925,111	925,111	(925,111)	**-**
TOTAL REVENUE AND SUPPORT	17,800,426	1,173,636	18,974,062	(1,759,088)	**17,214,974**
EXPENSES					
Program services	14,997,407	1,333,960	16,331,367	(1,657,686)	**14,673,681**
Management and general	2,797,166	111,320	2,908,486	(101,402)	**2,807,084**
Fundraising	1,282,795		1,282,795		**1,282,795**
TOTAL EXPENSES	19,077,368	1,445,280	20,522,648	(1,759,088)	**18,763,560**
CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP ACTIVITY	(1,276,942)	(271,644)	(1,548,586)		**(1,548,586)**
FISCAL SPONSORSHIP ACTIVITY			-		**-**
CHANGE IN NET ASSETS	(1,276,942)	(271,644)	(1,548,586)		**(1,548,586)**
NET ASSETS, BEGINNING OF YEAR	40,228,451	2,062,459	42,290,910		**42,290,910**
NET ASSETS, END OF YEAR	$ 38,951,509	$ 1,790,815	$ 40,742,324	$ -	**$ 40,742,324**

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - PROGRAMS ONLY
For the year ended December 31, 2022

	Growth Portfolio	Accelerator	Government Partnerships	Other Programs	RIIF Program	Total	Eliminations	Consolidated
Salaries	$ 1,028,402	$ 494,855	$ 661,265	$ 2,881,933	$ -	$ 5,066,455	$ -	**$ 5,066,455**
Payroll taxes	80,259	39,158	52,026	222,008		393,451		**393,451**
Employee benefits	176,077	59,398	137,016	591,793		964,284		**964,284**
Total personnel costs	1,284,738	593,411	850,307	3,695,734	-	6,424,190	-	**6,424,190**
Industry expertise and consultants	525,790	190,326	600,375	830,387	919,161	3,066,039	(833,977)	**2,232,062**
Program grants	3,211,329	700,000	30,000	943,309		4,884,638	(823,709)	**4,060,929**
Technology	56,834	28,087	42,594	168,966		296,481		**296,481**
Payroll services						-		**-**
Occupancy	68,505	33,855	51,239	198,366		351,965		**351,965**
Other	50,586	9,494	5,159	155,124	425	220,788		**220,788**
Depreciation	10,594	5,236	7,924	30,677		54,431		**54,431**
Accounting, auditing, and legal				3,195		3,195		**3,195**
Interest expense					117,983	117,983		**117,983**
Travel and meals	19,477	78,224	6,822	243,500	10,130	358,153		**358,153**
Insurance						-		**-**
Training and professional development	270			803	3,194	4,267		**4,267**
Recruiting				286		286		**286**
Events		50,442	4,554	129,033	165	184,194		**184,194**
Equipment rental and maintenance	6,977	3,410	5,120	19,796		35,303		**35,303**
Conference and meetings	5,497	8	905	13,413	2,473	22,296		**22,296**
Dues and subscriptions					863	863		**863**
Provision for loan losses					279,566	279,566		**279,566**
Postage and shipping	1,840	909	1,376	5,364		9,489		**9,489**
Office supplies	3,536	2,415	4,080	7,209		17,240		**17,240**
TOTAL 2022 FUNCTIONAL EXPENSES	**$ 5,245,973**	**$ 1,695,817**	**$ 1,610,455**	**$ 6,445,162**	**$ 1,333,960**	**$ 16,331,367**	**$ (1,657,686)**	**$ 14,673,681**

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - MANAGEMENT AND GENERAL ONLY
For the year ended December 31, 2022

	REDF	RIIF	Eliminations	Consolidated
Salaries	$ 1,466,899	$ -	$ -	**$ 1,466,899**
Payroll taxes	98,867			**98,867**
Employee benefits	345,644			**345,644**
Total personnel costs	1,911,410	-	-	**1,911,410**
Industry expertise and consultants	88,717			**88,717**
Program grants	101,402		(101,402)	**-**
Technology	78,779	240		**79,019**
Payroll services	103,397			**103,397**
Occupancy	96,203			**96,203**
Other	3,680	1,678		**5,358**
Depreciation	14,677			**14,677**
Accounting, auditing, and legal	59,035	98,345		**157,380**
Travel and meals	102,517			**102,517**
Insurance	50,128	11,057		**61,185**
Training and professional development	44,067			**44,067**
Recruiting	41,824			**41,824**
Events	1,132			**1,132**
Equipment rental and maintenance	9,802			**9,802**
Conference and meetings	51,762			**51,762**
Dues and subscriptions	28,142			**28,142**
Provision for loan losses				**-**
Postage and shipping	2,564			**2,564**
Office supplies	7,928			**7,928**
TOTAL 2022 FUNCTIONAL EXPENSES	**$ 2,797,166**	**$ 111,320**	**$ (101,402)**	**$ 2,807,084**

REDF AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - FUNDRAISING ONLY
For the year ended December 31, 2022

	REDF	RIIF	Eliminations	Consolidated
Salaries	$ 649,640	$ -	$ -	**$ 649,640**
Payroll taxes	44,825			**44,825**
Employee benefits	89,028			**89,028**
Total personnel costs	783,493	-	-	**783,493**
Industry expertise and consultants	380,715			**380,715**
Program grants				**-**
Technology	29,942			**29,942**
Payroll services				**-**
Occupancy	36,091			**36,091**
Other	19,403			**19,403**
Depreciation	5,581			**5,581**
Accounting, auditing, and legal				**-**
Travel and meals	15,885			**15,885**
Insurance				**-**
Training and professional development	227			**227**
Recruiting				**-**
Events	3,005			**3,005**
Equipment rental and maintenance	3,804			**3,804**
Conference and meetings	658			**658**
Dues and subscriptions	4			**4**
Provision for loan losses				**-**
Postage and shipping	991			**991**
Office supplies	2,996			**2,996**
TOTAL 2022 FUNCTIONAL EXPENSES	**$ 1,282,795**	**$ -**	**$ -**	**$ 1,282,795**

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, 2022, 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 30, 2023.

The financial statements of RIIF were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances pf reportable noncompliance associated with RIIF.

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*.

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.

Harrington Group

Oakland, California
May 30, 2023