

**REDF AND AFFILIATE**

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**CONSOLIDATED FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL SCHEDULES**

**DECEMBER 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
REDF and Affiliate

### Report on the Consolidated Financial Statements

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, 2020, 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.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of REDF and Affiliate as of December 31, 2020, 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matters

#### *Report on Summarized Comparative Information*

We have previously audited REDF and Affiliate's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Consolidating Statement of Financial Position, Consolidating Statement of Activities, Consolidating Statement of Functional Expenses – Programs Only, and Consolidating Statement of Functional Expenses – Management and General Only are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021, 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 27, 2021

## REDF AND AFFILIATE

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

With comparative totals at December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,963,802	\$ 1,503,878	\$ 11,467,680	\$ 11,698,420
Certificates of deposits (Note 2)	2,367,803		2,367,803	4,215,540
Accounts receivable (Note 2)	773,252		773,252	241,246
Loans receivable, net of deferred fees of \$7,781 and allowance of \$264,889 (Note 4)	1,491,787		1,491,787	728,115
Pledges receivable (Note 5)		32,299,582	32,299,582	9,075,495
Prepaid expenses and other assets	133,015		133,015	160,255
Deposits	16,730		16,730	52,282
Property and equipment (Note 7)	117,956		117,956	279,483
	<b>\$ 14,864,345</b>	<b>\$ 33,803,460</b>	<b>\$ 48,667,805</b>	<b>\$ 26,450,836</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 432,630	\$ -	\$ 432,630	\$ 317,576
Accrued liabilities	760,267		760,267	337,554
Notes payable - net (Note 8)	1,744,197		1,744,197	495,769
Paycheck protection program loan (Note 9)	1,007,308		1,007,308	-
	<b>3,944,402</b>	<b>-</b>	<b>3,944,402</b>	<b>1,150,899</b>
<b>NET ASSETS</b>				
Without donor restrictions	8,919,943		8,919,943	12,211,197
Without donor restrictions - Board designated	2,000,000		2,000,000	2,000,000
With donor restrictions (Note 12)		33,803,460	33,803,460	11,088,740
	<b>10,919,943</b>	<b>33,803,460</b>	<b>44,723,403</b>	<b>25,299,937</b>
	<b>\$ 14,864,345</b>	<b>\$ 33,803,460</b>	<b>\$ 48,667,805</b>	<b>\$ 26,450,836</b>

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, 2020

With comparative totals for the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>REVENUE AND SUPPORT</b>				
Government contracts	\$ 1,289,546	\$ 46,730,744	\$ 48,020,290	\$ 447,574
Contributions	2,523,911	31,078,949	33,602,860	10,998,488
Investment income	87,893		87,893	61,091
Other income	11,942		11,942	15,114
Donated services (Note 2)			-	7,476
Net assets released from restrictions (Note 12)	55,094,973	(55,094,973)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>59,008,265</b>	<b>22,714,720</b>	<b>81,722,985</b>	<b>11,529,743</b>
<b>EXPENSES</b>				
Program services	58,861,154		58,861,154	11,168,337
Management and general	2,715,316		2,715,316	2,864,886
Fundraising	718,527		718,527	695,539
<b>TOTAL EXPENSES</b>	<b>62,294,997</b>	<b>-</b>	<b>62,294,997</b>	<b>14,728,762</b>
<b>CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP ACTIVITY</b>	<b>(3,286,732)</b>	<b>22,714,720</b>	<b>19,427,988</b>	<b>(3,199,019)</b>
<b>FISCAL SPONSORSHIP ACTIVITY (Note 13)</b>	<b>(4,522)</b>		<b>(4,522)</b>	<b>(12,361)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(3,291,254)</b>	<b>22,714,720</b>	<b>19,423,466</b>	<b>(3,211,380)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>14,211,197</b>	<b>11,088,740</b>	<b>25,299,937</b>	<b>28,511,317</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 10,919,943</b>	<b>\$ 33,803,460</b>	<b>\$ 44,723,403</b>	<b>\$ 25,299,937</b>

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, 2020

With comparative totals for the year ended December 31, 2019

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Partnerships	VPP/ Evaluation	Community	Other Programs				2020	2019
Salaries	\$ 760,659	\$ 1,009,076	\$ 316,633	\$ 1,890,282	\$ 3,976,650	\$ 1,125,188	\$ 455,719	\$ 5,557,557	\$ 4,807,801
Payroll taxes	53,908	79,853	23,806	144,838	302,405	83,105	29,220	414,730	374,100
Employee benefits	147,870	152,855	56,710	324,899	682,334	596,102	72,345	1,350,781	958,716
Total personnel costs	962,437	1,241,784	397,149	2,360,019	4,961,389	1,804,395	557,284	7,323,068	6,140,617
Program grants	46,730,744	2,891,460	850,000	450,001	50,922,205			50,922,205	3,981,828
Industry expertise and consultants	715,486	746,145	65,814	367,065	1,894,510	205,126	94,941	2,194,577	2,142,484
Occupancy	70,115	92,807	617	157,837	321,376	102,272	27,268	450,916	582,569
Technology	53,214	59,278	537	100,150	213,179	64,517	21,423	299,119	241,637
Provision for loan losses				183,390	183,390			183,390	17,233
Accounting, auditing, and legal	35,757				35,757	144,346		180,103	127,271
Depreciation	21,399	42,984	152	57,457	121,992	31,212	8,322	161,526	234,127
Recruiting				295	295	125,628		125,923	44,020
Payroll Services					-	95,753		95,753	89,762
Travel and meals	3,092	28,767	222	48,863	80,944	8,810	2,286	92,040	582,330
Insurance					-	46,534		46,534	42,464
Other	1,321	1,088	6,250	21,850	30,509	13,140	2,196	45,845	203,482
Events	1,725	2,876	238	36,805	41,644			41,644	43,582
Equipment rental and maintenance	6,121	8,102	59	13,778	28,060	8,928	2,380	39,368	105,956
Conference and meetings	337	111	203	5,999	6,650	23,075	39	29,764	33,962
Dues and subscriptions	841	117	20	1,075	2,053	22,521	430	25,004	56,026
Training and professional		2,725	86	198	3,009	15,192		18,201	11,500
Office supplies	3,478	1,911	165	3,052	8,606	2,498	1,596	12,700	39,646
Postage and shipping	1,122	1,216	490	2,758	5,586	1,369	362	7,317	8,267
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 48,607,189</b>	<b>\$ 5,121,371</b>	<b>\$ 1,322,002</b>	<b>\$ 3,810,592</b>	<b>\$ 58,861,154</b>	<b>\$ 2,715,316</b>	<b>\$ 718,527</b>	<b>\$ 62,294,997</b>	
<b>TOTAL 2019 FUNCTIONAL EXPENSES</b>	<b>\$ 1,111,446</b>	<b>\$ 6,400,986</b>	<b>\$ -</b>	<b>\$ 3,655,905</b>	<b>\$ 11,168,337</b>	<b>\$ 2,864,886</b>	<b>\$ 695,539</b>	<b>\$ 14,728,763</b>	

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, 2020

With comparative totals for the year ended December 31, 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 19,423,466	\$ (3,211,380)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	161,526	234,127
(Gain) on disposal of property	-	(5,600)
Allowance for loan losses	183,389	81,500
Deferred loan origination costs (fee income)	(13,166)	5,385
(Increase) decrease in operating assets:		
Accounts receivable	(532,006)	4,094
Pledges receivable	(23,224,087)	2,406,828
Prepaid expenses, deposits and other assets	62,792	(12,177)
Increase (decrease) in operating liabilities:		
Accounts payable	115,054	(86,422)
Accrued liabilities	422,713	69,289
	<b>(3,400,319)</b>	<b>(514,356)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
New loans issued	(959,200)	(250,000)
Proceeds from repayments of loans receivable	25,305	55,607
Purchase of property and equipment	-	(95,433)
Proceeds from disposal of property	-	10,041
Net proceeds from maturing and purchase of certificates of deposits	1,847,737	(18,675)
	<b>913,842</b>	<b>(298,460)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings on loans payable	1,248,428	495,769
Proceeds from paycheck protection program loan	1,007,308	-
	<b>2,255,736</b>	<b>495,769</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(230,741)</b>	<b>(317,047)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>11,698,421</b>	<b>12,015,468</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 11,467,680</b>	<b>\$ 11,698,421</b>

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



# REDF AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

REDF is the only venture philanthropy in the U.S. that invests exclusively in the growth of employment social enterprises (ESEs). Since 1997, REDF has provided seed and growth capital and specialized advisory services directly to **219** social enterprises, which have earned and reinvested in their businesses close to **\$1.2 billion** in revenue and employed over **73,000** people (60,000 in our current 2016-2020 strategic period), helping spending for government programs go further while improving lives and communities.

At REDF, we're building a more inclusive economy where all people have the opportunity to work and thrive. To make that happen, REDF invests in ESEs and the outstanding, inspiring entrepreneurs who lead them. ESEs are businesses with a social purpose- providing jobs, training, and support for talented people striving to build a better life as they overcome steep barriers to employment. For people who have had experiences with the justice system, homelessness, mental illness, addiction, and racism, the path to a quality job can seem insurmountable. Too often their skills and talents are overlooked by employers, and the existing workforce system is not designed to support their success. And while these experiences impact people of all races and ethnicities, racially biased policies and systems result in overrepresentation of people of color among these groups.

That's why REDF invests in ESEs. ESEs are businesses with a social purpose. They provide paying jobs in a work environment that supports their success, combined with training and services - like housing and financial literacy - so that employees gain experience, deepen skills, and build confidence to enter the workforce and thrive. REDF is committed to building the growth and impact of the ESE sector. REDF equips these unique businesses and the amazing entrepreneurs that lead them with grants, loans, and capacity building services, creating a vibrant network, distilling evidence-backed best practices, and increasing impact.

### *REDF 2016-2020 Strategy and 2020 Program Accomplishments*

REDF has catalyzed explosive growth in the ESEs that we partner with, and most of that growth has come in just the past five years as REDF made the transition from a California-focused funder to a truly national organization. As the life-transforming impact of ESE jobs becomes more well-known, the public and private sectors are realizing that these businesses are uniquely positioned to tackle some of society's biggest challenges.

REDF's footprint grew from directly supporting 10 ESEs only in California to supporting 164 ESEs in 30 States plus Washington, D.C. Over the past five years REDF has focused on achieving results in these three core areas:

- Employment social enterprises: Provide the **right kinds of capital** at the **right stage**, and the **advice** needed to grow ESEs and improve results for the people employed. We invested **\$19.7M** in capital directly to ESEs, and **\$12.9M** in advice.

# REDF AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Organization, continued

- Regional ecosystems: **Support** the **growth** and **success** of ESEs in specific regions – notably Los Angeles where the Los Angeles Regional Initiative for Social Enterprise which employs about 1,000 people each year is becoming a national model; engage business, community organizations, government, and philanthropy to build the **practices** and develop the **champions** to support employment social enterprise.
- National field building: Develop the strength and sophistication of a **national network** and field of practice. Build an active national network to learn, and fuel growth of employment social enterprise as a visible, credible alternative to status quo, while providing a communications platform and tools to help the field leverage practice-based knowledge to promote social enterprise. REDF's [www.redfworkshop.org](http://www.redfworkshop.org) platform is a widely used resource, and the user community has expanded to over **4,000** members from 2015 to 2020.

### *COVID-19 Relief*

One of the most significant challenges REDF, the ESEs we work with, and those they employ experienced in 2021 was the sudden onset of the COVID-19 pandemic. REDF prioritized supporting ESE sustainability through this downturn and surveyed our community of ESEs to project the financial, economic and social impacts of the crisis.

We took a multi-faceted approach by:

- Providing emergency and bridge funding to support and sustain social enterprise businesses
- Advocating for and advising ESEs on federal and local stimulus funds AND
- Collaborating with public funding and philanthropy to provide greater collective impact.

REDF deployed an ESE Pandemic Relief Fund with an investment of \$850,000, and also accelerated the distribution of almost \$1M in already committed grants.

REDF collaborated with the County of Los Angeles to provide \$46.2M in assistance to struggling small businesses in LA County impacted by COVID-19, providing grants to 1,400+ LA County small businesses and non-profit organizations, helping to avert more than 5,700 layoffs and awarding \$4.4 Million in grants to 75 county-certified employment social enterprises; 34% of the total funding was awarded to businesses or non-profit organizations led by people of color.

Operationally speaking, REDF seamlessly and successfully pivoted towards 100 percent remote operation in March, 2020. Despite the stresses of the pandemic, as of December 31, 2020, we exceeded our five-year goal with over 62,000 people employed between January 1, 2016 and December 31, 2020.

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Organization, continued

##### *REDF National Portfolio of Social Enterprises*

In 2020 alone, REDF delivered grants and provided technical assistance to a national portfolio of 17 social enterprises. These social enterprises were selected in 2016 to receive REDF's financial assistance and advisory services after a nationwide competition that drew over two hundred applicants from 36 states, serving numerous target populations, representing a diversity of industries and business lines, and providing a range of supportive services and real work experience to their employees. With exceptional leaders, track records and growth potential, these social enterprises come to REDF with many strengths, including committed, experienced leadership; financial stability and operational excellence; a history of impact; a geography that aligns with REDF's priorities; a willingness to participate in a rigorous program evaluation; and the potential to dramatically increase the number of people they employ and serve.

##### *Impact Lending*

REDF Impact Investing Fund (RIIF) began as a division 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.

After more than 20 years of providing grants and advisory services to employment-focused social enterprises, REDF launched RIIF to add an important tool to accelerate the growth of employment social enterprises. As the social enterprise field matures, so does the need to access flexible capital to grow, capitalize on new opportunities, and better serve employees.

RIIF's mission is to provide financing for employment-focused social enterprises and businesses that employ and support individuals who face employment barriers such as experiences of homelessness, incarceration, addiction and mental health issues, and youth disconnected from school and work. The objective of the financing is to support these organizations to develop entrepreneurial and management skills necessary to grow business revenue and increase employment of people facing barriers. RIIF seeks to demonstrate the creditworthiness of these employment-focused social enterprises and assist organizations in obtaining subsequent capital investments from other sources.

RIIF is demonstrating a model for how flexible loan terms, combined with technical assistance, can improve borrower performance, and attract new sources of capital to employment social enterprises. RIIF loans are low-cost and/or long-term loans that require less security than typical impact investments or traditional loans and are accompanied by technical assistance.

*As of December 31, 2020:*

- 9 Loans outstanding or closed to date
- \$1.7M in loan assets
- 3,655 people with barriers employed by RIIF's Loan Portfolio to date

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. **Organization**, continued

In 2020 RIIF also established an Advisory Council which consists of seven accomplished, diverse leaders who will provide expertise, thought partnership, and guidance for RIIF's strategic, financial, social, and equity objectives. In addition to cross-industry expertise, these community leaders will support RIIF in reflecting the voice of social enterprise and the communities RIIF seeks to serve.

#### ***REDF Accelerator***

As of 2020, **89** extraordinary ESE leaders from across the US have been part of REDF's one-of-a-kind ESE Accelerator, with 18 of those served in 2020. In partnership with Acumen+, the REDF Accelerator delivered guidance on core social enterprise competencies, including marketing and communication; strategic planning and operations; financial planning; employee supports; and leadership skills and coaching. The Accelerator programming, combined with peer learning and networking opportunities, enhances SE leaders' abilities to effectively run a social enterprise, increase the number of people their companies employ, and improve their employee support programs.

#### ***Farber Internship***

REDF's Farber Internship Program provides 10-week-long internships to graduate students pursuing their MBA or other relevant degree programs (e.g., MPA, MPH, MSW) and 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 and social return on investment. REDF received 172 applications for the 2020 Farber Internship Program cohort, which resulted in 38 viable candidates and eleven finalists selected.

All members of the 2020 Farber Internship Program cohort were placed virtually in REDF portfolio groups to provide project assistance during the COVID-19 crisis.

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

The focus of REDF's current work for LA:RISE is to increase the connectivity between social enterprises, next-stage employers (also referred to as competitive or bridge employers), and Personal Service Providers (PSPs) to facilitate an uninterrupted and supported transition to competitive employment for social enterprise employees. REDF's strategy for meeting grant outcomes is to: 1) Coalesce LA:RISE partners around the value of working collaboratively; 2) Build partners' capacity and organize their efforts to process and assist transitioning social enterprise employees; and 3) Track employee retention outcomes and document learnings.

LA:RISE serves about **1,000** participants each year. As of December 2020, over **4,000** individuals have entered the program with over **2,000** moving into competitive employment.

LA:RISE takes the social enterprise model and places it at the center of this groundbreaking partnership resulting in a continuum of employment opportunities and career pathways for people who overcome significant barriers to employment.

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. **Organization**, continued

The program is continuing to expand in both the City and County of Los Angeles. Additionally, the program continues to support, five WorkSource Centers (WSC), three YouthSource Centers (YSC), ten America's Job Centers of California (AJCC), two retention providers and one legal provider. In addition to facilitating the continued expansion of the programs, our focus in the near term is to diversify the list of competitive employers and strengthen the relationships between these employers and the social enterprises to better serve the need of participants.

Participants who have gone through the program have also pursued vocational opportunities including diesel mechanic training, truck driving school, administrative and computer literacy, culinary training, and training to become a Certified Nursing Assistant (CNA).

#### ***REDFworkshop***

The REDFworkshop network has a **membership base of over 4,113 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, podcasts, shoptalk, and for early-stage organizations, an enhanced tools suite to assist with business model development and starting operations.

#### ***Advocacy***

REDF works to influence national, state, and local policymakers to support and promote the growth of social enterprise. We do this by mobilizing the social enterprise sector to educate and advocate for evidence-based solutions to addressing chronic unemployment among people who have experienced homelessness, incarceration, mental illness and/or substance addictions, and young people who are disconnected from work and school. REDF created and leads the **Resourcing Employment Social Enterprises Together** (RESET) coalition which now includes 49 members across 27 States and Washington, D.C. to join together to advocate at the federal, state, and local levels to meet these two key objectives:

- Growing Social Enterprise Businesses - Increasing access to capital and technical assistance for businesses with a mission to employ people facing significant barriers to employment.
- Promoting Employee Economic Stability - Increasing access to financial stability and sustainability with tools and incentives for adults and transition age youth (18-24) re-entering or entering the world of work who have been homeless, convicted of a crime, and/or struggling with mental health and/or addiction challenges.

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. **Organization**, continued

##### *2021-2025 Strategy*

Over the next five years, REDF will accelerate the growth and impact of the employment social enterprise (ESE) sector leading to a thriving and inclusive economy. By deepening our capital investment in ESEs, providing specialized capacity building consulting and leadership development, and catalyzing public and private sector support, REDF will increase demand for this cost-effective, high-impact solution. REDF's investment in ESEs results in more jobs for people overcoming barriers to employment, and more ESEs that are sustainable and able to grow, with replicable business models. Our aspiration is that everyone in every community across the United States is able to access a quality job with a livable income.

Our new strategic plan commits to specific steps we will take in order to advance racial equity in our programs and within our organization, with the goal of increasing our investments in ESEs led by people of color and those with lived experience of the barriers to employment faced by those served. This strategy will drive more equitable results by ensuring that REDF programming equips and prepares individuals who face the added challenges of racial bias to succeed. We are also prioritizing approaches that lead to higher incomes, and that generate more equitable outcomes across race.

REDF will continue to invest directly in employment social enterprise businesses and their leaders, providing the capital and capacity building services to create quality, supportive jobs for people overcoming barriers to employment. REDF will engage in advocacy and create partnerships to build an environment in which ESEs can thrive, and the demand for their services grows, rooted in evidence of the results achieved. We will continue to use data to measure the value of our work and improve programs.

Alongside the existing Growth Portfolio, Accelerator, and RIIF programs, and the accompanying technical assistance, REDF is adding a new program: the REDF Community, launched in 2021, which provides a venue for learning, leadership development, and relationship-building opportunities among our vibrant network of more than 150 ESEs.

REDF is also expanding the work of its LA:RISE and policy teams under the umbrella of a new Government Partnerships and Policy program which informs and influences policymakers to promote the growth of and investment in ESEs and to increase economic opportunity for their employees; mobilizes ESE leaders as advocates; provides technical assistance on accessing public support; and offers intermediary services to communities that seek to create public-private partnerships that help grow the ESE field.

REDF's investment in ESEs and the results will lead to a virtuous circle of increased investment, partnership, and growth. By 2025, more policymakers, business leaders, philanthropists, and nonprofits will demand and invest in ESEs. Together we will build an inclusive economy that works for everyone.

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 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.

##### **Accounts Receivable**

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

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 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, 2020 and 2019 were \$1,491,787 and \$728,115, 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 years ended December 31, 2020 and 2019, REDF and Affiliate received donated services totaling \$0 and \$7,476 respectively, that satisfy the criteria for recognition.

##### **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. Eight accounts totaling \$13,679,020 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, 2020, 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.

continued



# REDF AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### 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 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 on a ratio of time devoted to functional areas.

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 2. Summary of Significant Accounting Policies, continued

##### 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, 2019, from which the summarized information was derived.

#### 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 11,467,680	\$11,698,420
Certificates of deposits	2,367,803	4,215,540
Accounts receivable	773,252	241,246
Loans receivable	1,491,787	728,115
Pledges receivable	<u>32,299,582</u>	<u>9,075,495</u>
Financial assets, at year end	48,400,104	25,958,816
Less:		
Contractual or donor-imposed restrictions for time or purpose	(26,158,174)	(3,943,279)
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>\$ 20,241,930</u>	<u>\$20,015,537</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

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#### 4. Loans Receivable

Loans receivable consist of mission-related loans made by REDF and Affiliate to nonprofit 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, 2020 and 2019, management believes most 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, 2020 and 2019, REDF and Affiliate had \$7,781 and \$5,385 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.).

Due to the limited historical activity and credit quality of the existing loan portfolio, in 2019 REDF and Affiliate adopted the policy of maintaining a general allowance for loan losses ("ALL") equal to 10% or more of the outstanding principal value of the portfolio ("Loan Loss Rate"). Due to limited internal data, the ALL rate of 10% was based on management's observation of similar peer lending institutions, market assessment and qualitative risk factors associated with the REDF and Affiliate loan portfolio, most notably the size of the portfolio and the credit quality of the underlying borrowers.

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 4. Loans Receivable, continued

In 2020 REDF and Affiliate continued this practice with the exception of reserving in full for one borrower who has missed one interest payment and whose principal matures in August 2021. REDF and Affiliate believes that this borrower will be unable to repay the principal in full upon maturity, and has therefore expensed the full amount of this loan, \$100,000, in the event of any possible default. As of the years ended December 31, 2020 and 2019, the allowance for loan losses were \$264,889 and \$81,500, respectively.

As of the year ended December 31, 2020 and 2019 the total loans receivable are summarized as follows:

	<u>2020</u>	<u>2019</u>
Loans receivable, principal outstanding	\$1,748,895	\$815,000
Deferred origination fee revenues, net	7,781	(5,385)
Allowance for loan losses	<u>(264,889)</u>	<u>(81,500)</u>
Loans receivable, net of deferred fees and allowances	<u>\$1,491,787</u>	<u>\$728,115</u>

The following table summarizes the allowance for loan losses:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 81,500	\$70,000
Provisions for loan losses during the year	183,389	11,500
Loans charged-off	-	-
Balance, end of year	<u>\$264,889</u>	<u>\$81,500</u>

REDF and Affiliate extends credit to organizations that are mission related. 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 of up to 81 months. During the years ended December 31, 2020, REDF and Affiliate disbursed one loan of \$500,000 and \$459,200 among 4 loans. Total amount of loans receivable as of December 31, 2020 of \$1,748,895 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2021	\$ 531,477
2022	364,664
2023	253,420
2024	378,173
2025	174,688
2026	<u>46,472</u>
	1,748,895
Less: allowance for loan losses	(264,889)
Less: deferred origination fee revenues, net	<u>7,781</u>
Loans receivable, net of deferred fees and allowances	<u>\$1,491,787</u>

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

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 4. Loans Receivable, continued

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, 2020 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of December 31, 2020. 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, 2020 of \$32,237,082 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2021	\$ 7,563,419
2022	7,158,951
2023	6,274,200
2024	5,967,619
2025	<u>5,754,000</u>
	32,718,189
Less: unamortized discount on pledges receivable	<u>(418,607)</u>
Total pledges receivable	<u>\$32,299,582</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>	
2021	\$1,215,000
2022	1,100,000
2023	975,000
2024	810,000
2025	810,000
Thereafter	<u>500,000</u>
Total DAF pledges	<u>\$5,410,000</u>

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 6. Fair Value Measurements

The table below shows transactions measured at fair value on a non-recurring basis during the year ended December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions (new)	\$ _____ -	\$ _____ -	\$29,230,000	\$29,230,000

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).

The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

#### 7. Property and Equipment

Property and equipment at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Website	\$ 352,833	\$ 352,833
Leasehold improvement	9,452	230,191
Computer	160,351	162,659
Furnishing and equipment	141,379	141,379
Software	<u>239,571</u>	<u>239,571</u>
	903,586	1,126,633
Less: accumulated depreciation	<u>(785,630)</u>	<u>(847,151)</u>
Loans receivable, net of deferred fees and allowances	<u>\$ 117,956</u>	<u>\$ 279,482</u>

Depreciation expense for the years ended December 31, 2020 and 2019 were \$161,526 and \$234,127, respectively.

#### 8. Notes Payable

Notes payable at December 31, 2020 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. \$ 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

continued

## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. 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 December 31, 2030.

	<u>1,000,000</u>
	1,750,000
Less: debt insurance costs	<u>(5,803)</u>
	<u>\$1,744,197</u>

Amortized maturities for the loans are as follows:

<u>Year ending December 31,</u>	
2022	\$ 30,000
2023	41,875
2024	42,500
2025	104,375
Thereafter	<u>1,525,447</u>
	<u>\$1,744,197</u>

#### 9. Paycheck Protection Program Loan

In 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 forgiveness application was approved (see Note 14).

# REDF AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 10. Commitments and Contingencies

#### Obligations under Operating Leases

REDF and Affiliate leases facility and equipment 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 consists of the following:

<u>Year ending December 31,</u>	
2021	\$107,197
2022	101,060
2023	<u>75,778</u>
Total future minimum payments	<u>\$284,035</u>

Rent expense under operating leases for the years ended December 31, 2020 and 2019 were \$429,320 and \$582,569, 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 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 consolidated financial statements.

### 11. 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, 2020 and 2019 were \$179,231 and \$147,101, respectively.



## REDF AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 12. Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Time restricted support	\$32,292,145	\$ 9,626,307
Support for REDF and Affiliate Social Enterprise Programs	<u>1,511,315</u>	<u>1,462,433</u>
	<u>\$33,803,460</u>	<u>\$11,088,740</u>

For the year ended December 31, 2020, net assets released from time and purpose restrictions were \$6,203,111 and \$48,891,862, respectively. Net assets released from time and purpose restrictions for the year ended December 31, 2019 were \$8,078,864 and \$2,955,064, respectively.

#### 13. 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Fiscal sponsor revenues	\$ 21,525	\$ 68,004
Fiscal sponsor expenses	<u>(26,047)</u>	<u>(80,365)</u>
Net fiscal sponsorship activity	<u>\$ (4,522)</u>	<u>\$ (12,361)</u>

#### 14. Subsequent Events

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 (see Note 9). No adjustments were recorded in the financial statements as of December 31, 2020, as a result of this transaction.

Management has evaluated subsequent events through May 27, 2021, the date which the consolidated financial statements were available for issue. Except for the above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the consolidated financial statements.

**SUPPLEMENTAL SCHEDULES**

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## REDF AND AFFILIATE

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

	<u>REDF</u>	<u>RIIF</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,140,101	\$ 2,327,579	\$ -	\$ 11,467,680
Certificates of deposits (Note 2)	2,367,803			2,367,803
Accounts receivable (Note 2)	862,533	10,719	(100,000)	773,252
Loans receivable, net of deferred fees of \$7,781 and allowance of \$264,889 (Note 4)		1,491,787		1,491,787
Pledges receivable (Note 5)	32,237,082	62,500		32,299,582
Prepaid expenses and other assets	133,015			133,015
Deposits	16,730			16,730
Property and equipment (Note 7)	117,956			117,956
<b>TOTAL ASSETS</b>	<u>\$ 44,875,220</u>	<u>\$ 3,892,585</u>	<u>\$ (100,000)</u>	<u>\$ 48,667,805</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 432,630	\$ 100,000	\$ (100,000)	\$ 432,630
Accrued liabilities	760,267			760,267
Notes payable - net (Note 8)		1,744,197		1,744,197
Paycheck protection program loan (Note 9)	1,007,308			1,007,308
<b>TOTAL LIABILITIES</b>	<u>2,200,205</u>	<u>1,844,197</u>	<u>(100,000)</u>	<u>3,944,402</u>
<b>NET ASSETS</b>				
Without donor restrictions	7,421,555	1,823,388		9,244,943
Without donor restrictions - Board designated	2,000,000			2,000,000
With donor restrictions (Note 12)	33,253,460	225,000		33,478,460
<b>TOTAL NET ASSETS</b>	<u>42,675,015</u>	<u>2,048,388</u>	<u>-</u>	<u>44,723,403</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 44,875,220</u>	<u>\$ 3,892,585</u>	<u>\$ (100,000)</u>	<u>\$ 48,667,805</u>

See independent auditors' report

**REDF AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	<u>REDF</u>	<u>RIIF</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>REVENUE AND SUPPORT</b>					
Government contracts	\$ 48,020,290	\$ -	\$ 48,020,290	\$ -	\$ 48,020,290
Contributions	33,177,610	425,250	33,602,860		33,602,860
Interest income	11,650	76,243	87,893		87,893
Other income	284,498	6,542	291,040	(279,098)	11,942
Donated services (Note 2)		325,288	325,288	(325,288)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>81,494,048</u>	<u>833,323</u>	<u>82,327,371</u>	<u>(604,386)</u>	<u>81,722,985</u>
<b>EXPENSES</b>					
Program services	58,839,901	541,639	59,381,540	(520,386)	58,861,154
Management and general	2,735,185	64,131	2,799,316	(84,000)	2,715,316
Fundraising	718,527		718,527		718,527
<b>TOTAL EXPENSES</b>	<u>62,293,613</u>	<u>605,770</u>	<u>62,899,383</u>	<u>(604,386)</u>	<u>62,294,997</u>
<b>CHANGE IN NET ASSETS BEFORE FISCAL SPONSORSHIP ACTIVITY</b>	19,200,435	227,553	19,427,988	-	19,427,988
<b>FISCAL SPONSORSHIP ACTIVITY (NOTE 13)</b>	<u>(4,522)</u>		<u>(4,522)</u>		<u>(4,522)</u>
<b>CHANGE IN NET ASSETS</b>	19,195,913	227,553	19,423,466	-	19,423,466
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>23,479,102</u>	<u>1,820,835</u>	<u>25,299,937</u>		<u>25,299,937</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 42,675,015</u>	<u>\$ 2,048,388</u>	<u>\$ 44,723,403</u>	<u>\$ -</u>	<u>\$ 44,723,403</u>

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**REDF AND AFFILIATE**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - PROGRAMS ONLY  
For the year ended December 31, 2020

	<u>Partnerships</u>	<u>VPP/ Evaluation</u>	<u>Community</u>	<u>Other Programs</u>	<u>RIIF Program</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Salaries	\$ 760,659	\$ 1,009,076	\$ 316,633	\$ 1,890,282	\$ -	\$ 3,976,650	\$ -	\$ 3,976,650
Payroll taxes	53,908	79,853	23,806	144,838		302,405		302,405
Employee benefits	147,870	152,855	56,710	324,899		682,334		682,334
Total personnel costs	962,437	1,241,784	397,149	2,360,019	-	4,961,389	-	4,961,389
Program grants	46,730,744	2,891,460	850,000	691,289	-	51,163,493	(241,288)	50,922,205
Industry expertise and consultants	715,486	746,145	65,814	306,457	339,706	2,173,608	(279,098)	1,894,510
Occupancy	70,115	92,807	617	157,837		321,376		321,376
Technology	53,214	59,278	537	100,150		213,179		213,179
Provision for loan losses					183,390	183,390		183,390
Depreciation	21,399	42,984	152	57,457		121,992		121,992
Travel and meals	3,092	28,767	222	48,583	280	80,944		80,944
Events	1,725	2,876	238	36,805		41,644		41,644
Accounting, auditing, and legal	35,757					35,757		35,757
Other	1,321	1,088	6,250	4,890	16,960	30,509		30,509
Equipment rental and maintenance	6,121	8,102	59	13,778		28,060		28,060
Office supplies	3,478	1,911	165	3,052		8,606		8,606
Conference and meetings	337	111	203	5,649	350	6,650		6,650
Postage and shipping	1,122	1,216	490	2,758		5,586		5,586
Training and professional		2,725	86	198		3,009		3,009
Dues and subscriptions	841	117	20	122	953	2,053		2,053
Recruiting				295		295		295
Payroll Services								-
Insurance								-
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 48,607,189</b>	<b>\$ 5,121,371</b>	<b>\$ 1,322,002</b>	<b>\$ 3,789,339</b>	<b>\$ 541,639</b>	<b>\$ 59,381,540</b>	<b>\$ (520,386)</b>	<b>\$ 58,861,154</b>

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## REDF AND AFFILIATE

### CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - MANAGEMENT AND GENERAL ONLY

For the year ended December 31, 2020

	<u>REDF</u>	<u>RIIF</u>	<u>Eliminations</u>	<u>Consolidated</u>
Salaries	\$ 1,125,188	\$ -	\$ -	\$ 1,125,188
Payroll taxes	83,105			83,105
Employee benefits	596,102			596,102
Total personnel costs	1,804,395	-	-	1,804,395
Program grants	84,000		(84,000)	-
Industry expertise and consultants	205,126			205,126
Accounting, auditing, and legal	89,082	55,264		144,346
Occupancy	102,272			102,272
Recruiting	125,628			125,628
Payroll Services	95,753			95,753
Technology	64,337	180		64,517
Insurance	38,038	8,496		46,534
Depreciation	31,213			31,213
Conference and meetings	23,075			23,075
Dues and subscriptions	22,521			22,521
Training and professional	15,192			15,192
Other	12,948	191		13,139
Equipment rental and maintenance	8,928			8,928
Travel and meals	8,810			8,810
Office supplies	2,498			2,498
Postage and shipping	1,369			1,369
Events				-
Provision for Loan Losses				-
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 2,735,185</b>	<b>\$ 64,131</b>	<b>\$ (84,000)</b>	<b>\$ 2,715,316</b>

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