

Reports of Independent Auditors and
Financial Statements with
Supplementary Information

REDF

December 31, 2024

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Report of Independent Auditors

The Board of Directors
REDF

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of REDF, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of REDF as of December 31, 2024, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of REDF 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS 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 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 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'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about REDF'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards 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 June 26, 2025, on our consideration of REDF'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'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's internal control over financial reporting and compliance.

Baker Tilly US, LLP

San Francisco, California

June 26, 2025

Financial Statements

REDF
Statement of Financial Position
December 31, 2024

ASSETS

ASSETS

Cash and cash equivalents	\$ 11,197,948
Investments	12,715,918
Accounts receivable	2,179,829
Accrued investment interest	45,183
Pledges receivable, net	10,710,311
Prepaid expenses and other assets	979,827
Deposits	38,653
Property and equipment, net	408,088
Right-of-use asset - operating lease	1,905,263
	<hr/>
Total assets	\$ 40,181,020
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 902,890
Accrued liabilities	1,263,960
Operating lease liability	2,074,414
Deferred revenue	34,081
	<hr/>
Total liabilities	4,275,345
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NET ASSETS

Without donor restrictions - undesignated	18,404,156
Without donor restrictions - board designated	2,000,000
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Total net assets without donor restrictions	20,404,156
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With donor restrictions	15,501,519
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Total net assets	35,905,675
	<hr/>
Total liabilities and net assets	\$ 40,181,020
	<hr/> <hr/>

See accompanying notes.

REDF
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 3,199,550	\$ 12,894,643	\$ 16,094,193
Government contracts	4,640,258	-	4,640,258
Contributions in-kind	774,061	-	774,061
Investment income, net	627,678	-	627,678
Revenue from RIIF for provision of services	578,333	-	578,333
Other income	5,600	-	5,600
Net assets released from restrictions	19,662,405	(19,662,405)	-
Total revenue and support	<u>29,487,885</u>	<u>(6,767,762)</u>	<u>22,720,123</u>
EXPENSES			
Program services	23,495,454	-	23,495,454
Management and general	4,313,673	-	4,313,673
Fundraising	1,462,297	-	1,462,297
Total expenses	<u>29,271,424</u>	<u>-</u>	<u>29,271,424</u>
CHANGE IN NET ASSETS	216,461	(6,767,762)	(6,551,301)
NET ASSETS, beginning of year	<u>20,187,695</u>	<u>22,269,281</u>	<u>42,456,976</u>
NET ASSETS, end of year	<u>\$ 20,404,156</u>	<u>\$ 15,501,519</u>	<u>\$ 35,905,675</u>

See accompanying notes.

REDF
Statement of Cash Flows
Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (6,551,301)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	211,778
Loss on disposal of property and equipment	456,544
Change in discount on pledges receivable	128,797
Net realized and unrealized gain on investments	(222,458)
Change in operating lease	169,151
Changes in operating assets and liabilities	
Accounts receivable	(1,369,533)
Pledges receivable, net	6,799,494
Prepaid expenses and other assets	(478,980)
Accounts payable	367,395
Accrued liabilities	4,867
Deferred revenue	34,081
	<hr/>
Net cash used in operating activities	(450,165)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(911,665)
Proceeds from sales of investments	25,209
Purchase of property and equipment	(143,382)
	<hr/>
Net cash used in investing activities	(1,029,838)
NET CHANGE IN CASH AND CASH EQUIVALENTS	
	(1,480,003)
CASH AND CASH EQUIVALENTS, beginning of year	12,677,951
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	\$ 11,197,948
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NONCASH INVESTING ACTIVITY	
Donated investments	\$ 356,381
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See accompanying notes.

REDF

Notes to Financial Statements

Note 1 – Organization

REDF began as a project of The Roberts Foundation in 1997 and was incorporated in November 2003 as an independent nonprofit corporation under the laws of the state of California. REDF supports Employment Social Enterprises (ESEs): businesses that seek not only financial results, but also to create jobs, stability, and economic mobility for people overcoming the toughest barriers to employment.

REDF's support for ESEs is largely in three forms: Capital, including grants, loans, and access to public contracts, enables ESEs to put their plans into action. Capacity building, targeted technical assistance in key capabilities such as business modeling, program design, operations, talent and fundraising, helps ESE leaders scale operations and improve financial sustainability. And community, peer to peer learning and engagement, helps build a vibrant, self-sustaining ESE sector.

By advancing businesses that hire those who face significant hurdles for employment, REDF utilizes an evidence-based solution that helps individuals overcome tough barriers and return to work, increasing housing stability and reducing utilization of government benefits as they build economic power.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation and description of net assets – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. REDF reports information regarding its financial position and activities according to the class of net assets:

Net assets 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.

Net assets 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 resources be maintained in perpetuity. As of December 31, 2024, there were no net assets 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 has defined cash and cash equivalents as cash in financial institutions and certificates of deposits with an original maturity of three months or less.

Investments – REDF values its investments at fair value. Realized and unrealized gains and losses on investments, dividends, and interest income are included in investment income net of investment expenses on the statement of activities and changes in net assets.

REDF

Notes to Financial Statements

Accounts receivable – Accounts receivable represent receivables from government agencies and a related party (see note 12) and are stated at the amount REDF billed and expects to collect from contract services. REDF determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for doubtful accounts has been provided, as they are all deemed collectible by management as of December 31, 2024.

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. REDF determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for uncollectible pledges has been recorded as of December 31, 2024. Conditional promises to give are not included as support until the conditions are met. REDF 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, which ranges from 3 to 5 years or the remaining lease term for leasehold improvements. 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 \$1,000 and the useful life is greater than one year.

REDF reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2024, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Right-of-use asset – operating lease and operating lease liability – REDF recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*. REDF leases office space under operating leases. REDF recognizes a lease liability and right-of-use (ROU) asset for all leases with an expected term greater than 12 months on its statement of financial position. Lease ROU assets and liabilities are recognized on the statement of financial position at commencement date, which is the date REDF gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum lease payments using a risk-free incremental borrowing rate in effect at the time of the lease commencement or the rate implicit in the lease. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Lease expense is recognized on a straight-line basis over the lease term in the statement of activities and changes in net assets. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

REDF

Notes to Financial Statements

Contributions in-kind – Contributions in-kind are recognized in accordance with the provisions of FASB ASC Topic 958. Contributed services are recognized when the services received either (a) create or enhance a nonfinancial asset, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Contributed consulting services are valued at estimated fair value based on current rates for similar services and amounted to \$774,061 for the year ended December 31, 2024. In-kind contributions were fully utilized in the year.

Concentration of credit risks – REDF’s priority is to place its cash and investments with high-credit, quality financial institutions. At times, such cash and investments may be in excess of federally insured limits. REDF closely monitors the safety of any financial institution it banks with. REDF has not incurred any losses related to these investments.

As of and for the year ended December 31, 2024, approximately 66% of pledges receivable are from two donors and 38% of contribution revenue are from two donors. As of December 31, 2024, approximately 59% of accounts receivable is from a State agency.

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 – Unobservable inputs for the asset or liability. In these situations, REDF develop inputs using the best information available in the circumstances.

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

Income taxes – REDF is 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 in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. REDF’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 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.

REDF

Notes to Financial Statements

A portion of REDF'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 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 statement of financial position.

Revenues from RIF for provision of services is recorded per FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC Topic 606). ASC Topic 606 defines a five-step process to recognize revenue that requires judgment and estimates, including identifying the contract with the client, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when or as the performance obligation is satisfied.

Functional allocation of expenses – Costs of providing REDF's programs and other activities have been presented in the 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.

Grant expenses – Grant expenses are recorded when a verifiable, voluntary, nonreciprocal, unconditional promise to give is made by REDF. Upon recording, unconditional promises to give that are expected to be made in future years are discounted to fair value based on estimated future cash outflows. The discounts on those amounts are computed using risk-adjusted interest rates applicable at the initial measurement date. Conditional grants are recognized as grant expenses and as a grant payable in the year in which the grantee meets the terms of the conditions. There were no conditional grants or grants payable as of December 31, 2024.

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.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. REDF recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing financial statements. REDF' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date before the financial statements were available to be issued.

In the preparation of these financial statements, REDF considered subsequent events through June 26, 2025, which is the date these financial statements were available for issuance.

REDF

Notes to Financial Statements

Note 3 – Liquidity and Availability of Resources

The following reflects REDF's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the 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.

Cash and cash equivalents	\$ 11,197,948
Investments	12,715,918
Accounts receivable	2,179,829
Accrued investment interest	45,183
Pledges receivable, net	<u>10,710,311</u>
 Financial assets, at year end	 36,849,189
 Less assets unavailable for general expenditures within one year	
Pledges receivable, non-current	(1,983,100)
Net assets with donor restrictions not expected to be released within one year	(622,371)
Board designated net assets	<u>(2,000,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 32,243,718</u></u>

REDF 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 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'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 invests cash in excess of daily requirements in short-term investments.

Note 4 – Investments and Fair Value Measurements

Investments are reported at fair value and consist of the following as of December 31, 2024:

	Total	Level 1	Level 2	Level 3
U.S. Treasury fixed income securities	\$ 10,670,818	\$ 10,670,818	\$ -	\$ -
Certificates of deposit	1,930,475	-	1,930,475	-
Cash & sweep funds	<u>114,625</u>	<u>114,625</u>	<u>-</u>	<u>-</u>
 Total investments	 <u><u>\$ 12,715,918</u></u>	 <u><u>\$ 10,785,443</u></u>	 <u><u>\$ 1,930,475</u></u>	 <u><u>\$ -</u></u>

REDF
Notes to Financial Statements

Investment income, net, consists of the following for the year ended December 31, 2024:

Interest and dividends	\$	405,220
Net realized and unrealized gain		<u>222,458</u>
Total investment income, net	\$	<u><u>627,678</u></u>

Note 5 – Pledges Receivable

Total amount of pledges receivable at December 31, 2024, is expected to be collected as follows:

Years Ending December 31,		
2025	\$	8,727,211
2026		1,161,897
2027		850,000
2028		50,000
2029		<u>50,000</u>
Subtotal pledges		10,839,108
Less unamortized discount on pledges receivable		<u>(128,797)</u>
Total pledges receivable	\$	<u><u>10,710,311</u></u>

A discount rate of 4.25% has been used to calculate the present value of pledges receivable.

REDF also received pledged support that will be funded by the respective donors' Donor Advised Funds (DAF). These pledges have not been recorded by REDF 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 over the next five years are as follows:

Years Ending December 31,		
2025	\$	6,279,508
2026		1,057,000
2027		425,000
2028		325,000
2029		150,000
Thereafter		<u>50,000</u>
Total DAF pledges	\$	<u><u>8,286,508</u></u>

REDF

Notes to Financial Statements

Note 6 – Functional Expenses

REDF's expenses by natural classification and function are as follows for the year ended December 31, 2024:

	Program Services					Total Program Services	Management and General	Fundraising	Total
	Growth Portfolio	Government Partnerships	Community	Related Party Impact Investment Fund	Other Programs				
Salaries	\$ 1,240,869	\$ 2,546,572	\$ 697,520	\$ 967,219	\$ 2,945,004	\$ 8,397,184	\$ 1,488,801	\$ 891,263	\$ 10,777,248
Employee benefits	256,320	518,780	135,858	196,179	419,516	1,526,653	580,077	148,671	2,255,401
Payroll taxes	98,026	201,189	52,889	67,189	217,925	637,218	106,400	64,593	808,211
 Total personnel costs	 1,595,215	 3,266,541	 886,267	 1,230,587	 3,582,445	 10,561,055	 2,175,278	 1,104,527	 13,840,860
Grants	4,939,380	270,000	-	-	439,999	5,649,379	-	-	5,649,379
Sector expertise and professional fees	494,512	1,849,965	258,801	379,686	1,403,315	4,386,279	1,107,713	100,902	5,594,894
Conferences and travel	68,939	152,482	630,978	55,934	304,137	1,212,470	304,510	89,658	1,606,638
Technology and communications	113,002	293,501	61,525	69,712	257,810	795,550	251,577	76,369	1,123,496
Occupancy	56,884	139,536	30,830	34,889	130,954	393,093	280,530	38,431	712,054
Depreciation	19,134	39,732	9,284	10,501	65,663	144,314	47,231	20,233	211,778
Organizational expenses, other	19,786	30,818	71,210	1,711	157,528	281,053	9,040	22,471	312,564
Training and professional development	37	1,614	196	1,032	13,882	16,761	124,035	1,592	142,388
Office equipment and supplies	7,528	20,148	4,782	4,417	18,625	55,500	13,759	8,114	77,373
 Total	 <u>\$ 7,314,417</u>	 <u>\$ 6,064,337</u>	 <u>\$ 1,953,873</u>	 <u>\$ 1,788,469</u>	 <u>\$ 6,374,358</u>	 <u>\$ 23,495,454</u>	 <u>\$ 4,313,673</u>	 <u>\$ 1,462,297</u>	 <u>\$ 29,271,424</u>

REDF
Notes to Financial Statements

Note 7 – Property and Equipment, Net

Property and equipment, net, at December 31, 2024, consisted of the following:

Website	\$ 562,448
Software	332,088
Computer	353,489
Furnishing and equipment	215,379
Leasehold improvement	<u>175,672</u>
 Total property and equipment	 1,639,076
Less accumulated depreciation	<u>(1,230,988)</u>
 Property and equipment, net	 <u><u>\$ 408,088</u></u>

Depreciation expense for the year ended December 31, 2024, was \$211,778.

Note 8 – Right-of-Use Assets and Lease Liabilities – Operating Leases

REDF leases facilities for its corporate office expiring on various dates through 2029. As of December 31, 2024, future minimum payments, by year and in the aggregate, under the leases consist of the following:

Years Ending December 31,	
2025	\$ 548,590
2026	565,124
2027	504,282
2028	492,379
2029	<u>84,103</u>
 Subtotal lease payments	 2,194,478
Less present value discount	<u>(120,064)</u>
 Total operating lease liability	 <u><u>\$ 2,074,414</u></u>

ROU operating asset amortization cost for year ended December 31, 2024, was \$464,201. Cash paid under the operating leases for the year ended December 31, 2024, was \$532,632.

The following table includes supplemental operating lease information as of and for the year ended December 31, 2024:

Weighted average remaining lease term (in years)	3.97
Weighted average discount rate	2.92%

REDF

Notes to Financial Statements

Note 9 – Commitments and Contingencies

Letter of credit – As of December 31, 2024, REDF had a standby letter of credit as security for the performance of a lease agreement in the amount of \$112,287. The letter matures in September 2025.

Contracts – REDF'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 has no provision for the possible disallowance of program costs on its financial statements.

Federal regulation changes – REDF is in the process of evaluating new Sponsor policies and Executive Orders, issued by the federal government and their impact on REDF. This includes closely monitoring the recent federal directives, such as the guidance related to a potential change and/or reduction of indirect cost recovery for federally funded projects.

Note 10 – Net Assets with Donor Restrictions

As of December 31, 2024, net assets with donor restrictions are restricted for the following purposes or periods:

Time restricted	\$ 10,158,644
Purpose restricted for REDF Social Enterprise programs	<u>5,342,875</u>
Total	<u><u>\$ 15,501,519</u></u>

All net assets with donor restrictions are expected to be released from restriction by December 31, 2029.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the year ended December 31, 2024:

Satisfaction of time restrictions	\$ 9,001,601
Purpose restriction for REDF Social Enterprise programs	<u>10,660,804</u>
Total	<u><u>\$ 19,662,405</u></u>

Note 11 – Retirement Plan and Deferred Compensation

REDF participates in a qualified defined contribution 401(k) tax deferred retirement plan. REDF makes matching contributions to the employee contributions up to 4% of gross pay for each period. Employees must contribute to trigger this match. Employer contributions under this plan for the year ended December 31, 2024, was \$387,331.

REDF

Notes to Financial Statements

Note 12 – Related-Party Transactions

As per a Shared Services Agreement signed by REDF and REDF Impact Investment Fund (RIIF) in 2019, REDF provides a broad range of services to RIIF. The gross cost of this support in 2024 was \$1,788,468. REDF and RIIF negotiate an annual rate at which RIIF reimburses REDF a portion of these expenses. As of and for the year ended December 31, 2024, RIIF agreed to reimburse REDF \$578,333 and is included in revenue from RIIF for provision of services on the statement of activities and changes in net assets, and is included in accounts receivable on the statement of financial position.

Related parties also consist of the Board of Directors of REDF. As of December 31, 2024, 56% of outstanding pledges receivable were from related parties. For the year ended December 31, 2024, 4% of total contribution revenue were from related parties.

Supplementary Information

REDF
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
WIOA Cluster - U.S. Department of Labor Pass-through State of California, Employment Development Dept, Central Office Workforce Services Division WIOA Adult Program	17.258	AA311074	<u>\$ 912,781</u>
Total WIOA Cluster - ALN 17.258 - U.S. Department of Labor			<u>912,781</u>
SNAP Cluster - U.S. Department of Agriculture - Food and Nutrition Service Direct Awards			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		345,599
Pass-through the County of Los Angeles State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CEPP-21-03	<u>90,511</u>
Total SNAP Cluster - ALN No. 10.561 - U.S. Department of Agriculture - Food and Nutrition Service			<u>436,110</u>
U.S. Department of Treasury Pass-through County of Los Angeles Coronavirus State and Local Fiscal Recovery Funds	21.027	CA-21-001	<u>153,419</u>
Total ALN 21.027 - U.S. Department of Treasury			<u>153,419</u>
Total expenditures for federal awards			<u>\$ 1,502,310</u>

See accompanying notes to the schedule of expenditures of federal awards.

REDF

Notes to the Schedule of Expenditure of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of REDF under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of REDF, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of REDF.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

REDF did not provide any federal awards to subrecipients during the year ended December 31, 2024.

REDF has elected not to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

Report of Independent Auditors 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*

The Board of Directors
REDF

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of REDF, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered REDF'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of REDF's internal control. Accordingly, we do not express an opinion on the effectiveness of REDF'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 REDF's 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's 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 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 REDF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering REDF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Baker Tilly US, LLP".

San Francisco, California

June 26, 2025

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
REDF

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited REDF's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on REDF's major federal program for the year ended December 31, 2024. REDF's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, REDF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of REDF and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of REDF's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to REDF's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on REDF's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about REDF's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 REDF's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of REDF's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of REDF's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California

June 26, 2025

REDF
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program and type of auditor’s report issued on compliance for major federal program:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Program</i>
17.258	WIOA Adult Program and WIOA Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.