Reports of Independent Auditors and
Financial Statements with
Supplementary Information

REDF

December 31, 2025 and 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 statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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.

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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 it 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 16, 2026, 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 16, 2026

Financial Statements

REDF
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
ASSETS		
Cash and cash equivalents	$ 4,417,175	$ 11,197,948
Investments	19,258,975	12,715,918
Accounts receivable	2,334,170	2,179,829
Accrued investment interest	-	45,183
Pledges receivable, net	8,614,570	10,710,311
Prepaid expenses and other assets	923,543	979,827
Deposits	38,653	38,653
Property and equipment, net	252,507	408,088
Right-of-use asset - operating lease	1,426,542	1,905,263
Total assets	$ 37,266,135	$ 40,181,020
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 497,617	$ 902,890
Accrued liabilities	1,419,109	1,263,960
Operating lease liability	1,578,318	2,074,414
Deferred revenue	-	34,081
Total liabilities	3,495,044	4,275,345
NET ASSETS		
Without donor restrictions - undesignated	17,101,065	18,404,156
Without donor restrictions - board designated	2,000,000	2,000,000
Total net assets without donor restrictions	19,101,065	20,404,156
With donor restrictions	14,670,026	15,501,519
Total net assets	33,771,091	35,905,675
Total liabilities and net assets	$ 37,266,135	$ 40,181,020

See accompanying notes.

REDF
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 4,466,753	$ 16,788,558	$ 21,255,311
Government contracts	5,493,150	-	5,493,150
Contributions in-kind	55,950	-	55,950
Investment income, net	634,498	-	634,498
Revenue from RIIF for provision of services	217,500	-	217,500
Other income	21,500	-	21,500
Net assets released from restrictions	17,620,051	(17,620,051)	-
Total revenue and support	28,509,402	(831,493)	27,677,909
EXPENSES			
Program services	24,472,886	-	24,472,886
Management and general	3,955,731	-	3,955,731
Fundraising	1,383,876	-	1,383,876
Total expenses	29,812,493	-	29,812,493
CHANGE IN NET ASSETS	(1,303,091)	(831,493)	(2,134,584)
NET ASSETS, beginning of year	20,404,156	15,501,519	35,905,675
NET ASSETS, end of year	$ 19,101,065	$ 14,670,026	$ 33,771,091

See accompanying notes.

REDF
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	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	29,487,885	(6,767,762)	22,720,123
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	29,271,424	-	29,271,424
CHANGE IN NET ASSETS	216,461	(6,767,762)	(6,551,301)
NET ASSETS, beginning of year	20,187,695	22,269,281	42,456,976
NET ASSETS, end of year	$ 20,404,156	$ 15,501,519	$ 35,905,675

See accompanying notes.

REDF
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,134,584)	$ (6,551,301)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	202,626	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	(364,858)	(222,458)
Change in operating lease	(17,375)	169,151
Changes in operating assets and liabilities		
Accounts receivable	(154,341)	(1,369,533)
Pledges receivable, net	2,095,741	6,799,494
Prepaid expenses and other assets	56,284	(478,980)
Accounts payable	(405,273)	367,395
Accrued liabilities	155,149	4,867
Deferred revenue	(34,081)	34,081
Net cash used in operating activities	(600,712)	(450,165)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,133,016)	(911,665)
Proceeds from sales of investments	-	25,209
Purchase of property and equipment	(47,045)	(143,382)
Net cash used in investing activities	(6,180,061)	(1,029,838)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,780,773)	(1,480,003)
CASH AND CASH EQUIVALENTS, beginning of year	11,197,948	12,677,951
CASH AND CASH EQUIVALENTS, end of year	$ 4,417,175	$ 11,197,948
NONCASH INVESTING ACTIVITY		
Donated investments	$ 102,655	$ 356,381

See accompanying notes.

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. Community, peer-to-peer learning, and engagement help build a vibrant, self-sustaining ESE sector.

By advancing businesses that hire those who face significant hurdles to 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.

As of April 2026, REDF started doing business as Redefine Alliance.

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 that resources be maintained in perpetuity. As of December 31, 2025 and 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 statements of activities and changes in net assets.

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, 2025.

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, 2025. 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 range 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, 2025 and 2024, there were no events or changes in circumstances indicating that 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 the 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.

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 $55,950 and $774,061 for the years ended December 31, 2025 and 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, 2025, approximately 82% of pledges receivable are from two donors and 64% of contribution revenue are from two donors. 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, 2025 and 2024, approximately 67% and 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.

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 statements of financial position.

Revenues from RIIF for provision of services are 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 on a functional level in the statements of activities and changes in net assets. Refer to Note 6 for detail of expenses on a functional basis by natural category. 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, 2025 and 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 16, 2026, which is the date these financial statements were available for issuance.

Note 3 – Liquidity and Availability of Resources

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

	2025	2024
Cash and cash equivalents	$ 4,417,175	$ 11,197,948
Investments	19,258,975	12,715,918
Accounts receivable	2,334,170	2,179,829
Accrued investment interest	-	45,183
Pledges receivable, net	8,614,570	10,710,311
Financial assets, at year end	34,624,890	36,849,189
Less assets unavailable for general expenditures within one year		
Pledges receivable, non-current	3,950,000	(1,983,100)
Net assets with donor restrictions not expected to be released within one year	(3,607,947)	(622,371)
Board designated net assets	(2,000,000)	(2,000,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 32,966,943	$ 32,243,718

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, 2025 and 2024:

	2025			
	Total	Level 1	Level 2	Level 3
U.S. Treasury fixed income securities	$ 17,254,651	$ 17,254,651	$ -	$ -
Certificates of deposit	2,004,324	-	2,004,324	-
Total investments	$ 19,258,975	$ 17,254,651	$ 2,004,324	$ -

	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 and sweep funds	114,625	114,625	-	-
Total investments	$ 12,715,918	$ 10,785,443	$ 1,930,475	$ -

Investment income, net, consists of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest and dividends	$ 269,640	$ 405,220
Net realized and unrealized gain	364,858	222,458
Total investment income, net	$ 634,498	$ 627,678

Note 5 – Pledges Receivable

Total amount of pledges receivable at December 31, 2025 and 2024, is expected to be collected as follows:

	2025
Years Ending December 31,	
2026	$ 4,801,846
2027	3,850,000
2028	50,000
2029	50,000
Subtotal pledges	8,751,846
Less unamortized discount on pledges receivable	(137,276)
Total pledges receivable	$ 8,614,570

	2024
Years Ending December 31,	
2025	$ 8,727,211
2026	1,161,897
2027	850,000
2028	50,000
2029	50,000
Subtotal pledges	10,839,108
Less unamortized discount on pledges receivable	(128,797)
Total pledges receivable	$ 10,710,311

As of both December 31, 2025 and 2024, 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,	
2026	$ 1,082,000
2027	450,000
2028	350,000
2029	175,000
2030	50,000
Total DAF pledges	$ 2,107,000

Note 6 – Functional Expenses

REDF's expenses by natural classification and function are as follows for the year ended December 31, 2025:

	2025								
	Program Services								
	Growth Portfolio	Government Partnerships	Community	Related Party REDF Impact Investing Fund	Other Programs	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 1,051,116	$ 2,581,894	$ 747,053	$ 1,189,746	$ 3,286,867	$ 8,856,676	$ 1,676,227	$ 858,441	$ 11,391,344
Employee benefits	84,385	206,216	56,544	98,313	241,614	687,072	124,703	65,095	876,870
Payroll taxes	233,974	530,961	154,877	280,130	547,495	1,747,437	704,992	153,366	2,605,795
Total personnel costs	1,369,475	3,319,071	958,474	1,568,189	4,075,976	11,291,185	2,505,922	1,076,902	14,874,009
Grants	4,839,200	85,000	400,000	-	683,709	6,007,909	-	-	6,007,909
Sector expertise and professional fees	510,206	2,717,763	247,284	450,374	1,102,229	5,027,856	628,585	137,147	5,793,588
Conferences and travel	37,390	292,135	137,763	46,211	344,098	857,597	311,537	49,392	1,218,526
Technology and communications	46,003	143,398	30,553	43,570	161,628	425,152	186,400	40,885	652,437
Occupancy	52,600	145,342	34,934	38,785	148,422	420,083	91,783	42,193	554,059
Depreciation	15,996	33,408	8,308	9,915	69,361	136,988	45,585	20,053	202,626
Organizational expenses, other	35,509	11,759	75,371	2,979	149,500	275,118	10,885	13,310	299,313
Training and professional development	-	1,156	32	1,911	232	3,331	169,100	3,994	176,425
Office equipment and supplies	3,002	10,319	3,570	2,291	8,485	27,667	5,934	-	33,601
Total	$ 6,909,381	$ 6,759,351	$ 1,896,289	$ 2,164,225	$ 6,743,640	$ 24,472,886	$ 3,955,731	$ 1,383,876	$ 29,812,493

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

	2024								
	Program Services								
	Growth Portfolio	Government Partnerships	Community	Related Party REDF Impact Investing Fund	Other Programs	Total Program Services	Management and General	Fundraising	Total
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	$ 7,314,417	$ 6,064,337	$ 1,953,873	$ 1,788,469	$ 6,374,358	$ 23,495,454	$ 4,313,673	$ 1,462,297	$ 29,271,424

Note 7 – Property and Equipment, Net

Property and equipment, net, at December 31, 2025 and 2024, consisted of the following:

	2025	2024
Website	$ 562,448	$ 562,448
Software	275,808	332,088
Computer	263,376	353,489
Furnishing and equipment	215,379	215,379
Leasehold improvement	175,672	175,672
Total property and equipment	1,492,683	1,639,076
Less accumulated depreciation	(1,240,176)	(1,230,988)
Property and equipment, net	$ 252,507	$ 408,088

Depreciation expense for the years ended December 31, 2025 and 2024, was $204,851 and $211,778, respectively.

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, 2025, future minimum payments, by year and in the aggregate, under the leases consist of the following:

Years Ending December 31,	
2026	$ 565,124
2027	504,282
2028	492,379
2029	84,104
Subtotal lease payments	1,645,889
Less present value discount	(67,571)
Total operating lease liability	$ 1,578,318

ROU operating asset amortization cost for years ended December 31, 2025 and 2024, was $478,721 and $464,201, respectively. Cash paid under the operating leases for the years ended December 31, 2025 and 2024, was $548,590 and $532,632, respectively.

The following table includes supplemental operating lease information as of and for the years ended December 31, 2025 and 2024:

	2025	2024
Weighted average remaining lease term (in years)	3.02	3.97
Weighted average discount rate	2.89%	2.92%

Note 9 – Commitments and Contingencies

Letter of credit – As of December 31, 2025 and 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 2027.

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, 2025, net assets with donor restrictions are restricted for the following purposes or periods:

	2025	2024
Time restricted	$ 3,031,237	$ 10,158,644
Purpose restricted for REDF Social Enterprise programs	11,638,789	5,342,875
Total	$ 14,670,026	$ 15,501,519

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 years ended December 31, 2025 and 2024:

	2025	2024
Satisfaction of time restrictions	$ 8,743,464	$ 9,001,601
Purpose restriction for REDF Social Enterprise programs	8,876,587	10,660,804
Total	$ 17,620,051	$ 19,662,405

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 years ended December 31, 2025 and 2024, were $435,492 and $387,331, respectively.

Note 12 – Related-Party Transactions

As per a Shared Services Agreement signed by REDF and REDF Impact Investing Fund (RIIF) in 2019, REDF provides a broad range of services to RIIF. The gross cost of this support in 2025 and 2024 was $2,164,225 and $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 years ended December 31, 2025 and 2024, RIIF agreed to reimburse REDF $217,500 and $578,333 and is included in revenue from RIIF for provision of services on the statements of activities and changes in net assets, and is included in accounts receivable on the statements of financial position.

Related parties also consist of the Board of Directors of REDF. As of December 31, 2025 and 2024, 2% and 56%, respectively, of outstanding pledges receivable were from related parties. For the years ended December 31, 2025 and 2024, 1% and 4%, respectively, of total contribution revenue were from related parties.

Supplementary Information

REDF
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass through to subrecipients
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	$ 467,893	$ -
WIOA Adult Program	17.258	AA511092	156,550	-
Total WIOA Cluster - ALN 17.258 - U.S. Department of Labor			624,443	-
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		431,895	127,862
Pass-through the County of Los Angeles				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CEPP-21-03	91,462	-
Total SNAP Cluster - ALN No. 10.561 - U.S. Department of Agriculture - Food and Nutrition Service			523,357	127,862
U.S. Department of Treasury				
Pass-through County of Los Angeles				
COVID-19 State and Local Fiscal Recovery Funds	21.027	CA-21-001	46,581	-
Total ALN 21.027 - U.S. Department of Treasury			46,581	-
Total expenditures for federal awards			$ 1,194,381	$ 127,862

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, 2025. 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 has elected not to use the 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, 2025, 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 16, 2026.

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 the entity'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.

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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.

Baker Tilly US, LLP

San Francisco, California
June 16, 2026

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, 2025. REDF's major federal program is identified in the summary of the 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, 2025.

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 with 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 programs.

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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 it 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 consider 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 16, 2026

REDF
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

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:

Federal Assistance Listing Number	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Program*
10.561	SNAP Cluster	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $1,000,000

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.

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