Report of Independent Auditors and
Consolidated Financial Statements

Rudolf Steiner Foundation, Inc.
dba: RSF Social Finance and Affiliates

December 31, 2019 and 2018

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES

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Report of Independent Auditors

The *Board of Directors*
Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates ("RSF"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rudolf Steiner Foundation, Inc. dba: RSF Social Finance and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements, RSF adopted Topic 606 – *Revenue from Contracts with Customers* using the modified retrospective method applied to all contracts and ASU No. 2018-08*, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made* using the modified prospective basis. Our opinion is not modified with respect to these matters.

Moss Adams LLP

San Francisco, California
May 8, 2020

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 33,177,653	$ 23,032,801
Mission-related loans and investments:		
Loans receivable, net of allowance for loan losses of $3,134,317 and $3,138,298 as of December 31, 2019 and 2018, respectively	115,192,099	130,359,016
Investments, at fair value	77,366,458	64,602,031
Investments, held at cost	8,691,048	5,913,076
Prepaid expenses and other assets	2,029,087	2,007,197
Total assets	$ 236,456,345	$ 225,914,121
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,474,115	$ 906,171
Investor notes payable	131,430,578	129,264,830
Other notes payable	13,494,495	8,105,333
Total liabilities	146,399,188	138,276,334
Net assets		
Net assets without donor restrictions		
Board designated operating reserve account	5,194,776	700,000
Other net assets without donor restrictions	84,712,381	86,787,787
Total net assets without donor restrictions	89,907,157	87,487,787
Net assets with donor restrictions	150,000	150,000
Total net assets	90,057,157	87,637,787
Total liabilities and net assets	$ 236,456,345	$ 225,914,121

See accompanying notes to consolidated financial statements.

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Management and other fee income	$ 1,009,304	$ -	$ 1,009,304
Net interest, fees, and investment income			
Interest and fees – loans receivable	7,420,987	-	7,420,987
Investment income, net	777,287	-	777,287
Net management fees, interest, fees, and investment income	9,207,578	-	9,207,578
Gifts and contributions	34,492,185	-	34,492,185
Program revenue	294,876	-	294,876
Total revenues, gains and other support	43,994,639	-	43,994,639
Expenses			
Program services	31,850,722	-	31,850,722
Management and general	9,724,547	-	9,724,547
Total expenses	41,575,269	-	41,575,269
Changes in net assets	2,419,370	-	2,419,370
Net assets at beginning of year	87,487,787	150,000	87,637,787
Net assets at end of year	$ 89,907,157	$ 150,000	$ 90,057,157

See accompanying notes to consolidated financial statements.

RUDOLF STEINER FOUNDATION, INC.
dba: RSF SOCIAL FINANCE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Management and other fee income	$ 685,251	$ -	$ 685,251
Net interest, fees, and investment income			
Interest and fees – loans receivable	7,094,925	-	7,094,925
Investment income, net	1,101,076	-	1,101,076
Net management fees, interest, fees, and investment income	8,881,252	-	8,881,252
Gifts and contributions	29,361,332	-	29,361,332
Program revenue	230,846	-	230,846
Total revenues, gains and other support	38,473,430	-	38,473,430
Expenses			
Program services	24,908,596	-	24,908,596
Management and general	8,420,616	-	8,420,616
Total expenses	33,329,212	-	33,329,212
Changes in net assets	5,144,218	-	5,144,218
Net assets at beginning of year	82,343,569	150,000	82,493,569
Net assets at end of year	$ 87,487,787	$ 150,000	$ 87,637,787

See accompanying notes to consolidated financial statements.

2019 Program Expenses

	Lending Program	Investor Notes Program	Integrated Capital Initiative Program	Total Program Expenses	Management and General Expenses	Total
Interest expense on investor notes	$ -	$1,939,734	$ -	$1,939,734	$ -	$1,939,734
Loan loss provision	1,166,756	-	-	1,166,756	-	1,166,756
Personnel costs	3,428,171	1,121,947	62,330	4,612,448	1,620,590	6,233,038
Consultants	142,685	71,342	285,369	499,396	214,027	713,423
Legal, accounting and audit expenses	311,845	77,413	-	389,258	437,160	826,418
Travel expenses	95,960	31,405	1,745	129,110	45,363	174,473
Marketing expenses	80,668	26,400	1,467	108,535	38,134	146,669
Grants made to programs	18,141,390	3,700,156	-	21,841,546	6,960,321	28,801,867
Other management and general expenses	865,090	283,120	15,729	1,163,939	408,952	1,572,891
Total functional expenses	$ 24,232,565	$ 7,251,517	$ 366,640	$ 31,850,722	$ 9,724,547	$ 41,575,269

2018 Program Expenses

	Lending Program	Investor Notes Program	Integrated Capital Initiative Program	Total Program Expenses	Management and General Expenses	Total
Interest expense on investor notes	$ -	$1,410,902	$ -	$1,410,902	$ -	$1,410,902
Loan loss provision	1,015,742	-	-	1,015,742	-	1,015,742
Personnel costs	2,317,465	702,980	23,993	3,044,438	3,026,689	6,071,127
Consultants	195,265	55,075	242,900	493,240	70,609	563,849
Legal, accounting and audit expenses	521,407	147,063	-	668,470	188,543	857,013
Travel expenses	96,047	27,090	17,322	140,459	34,731	175,190
Marketing expenses	151,609	42,762	49,982	244,353	54,822	299,175
Grants made to programs	13,271,185	3,743,155	-	17,014,340	4,798,916	21,813,256
Other management and general expenses	681,147	192,118	3,387	876,652	246,306	1,122,958
Total functional expenses	$ 18,249,867	$ 6,321,145	$ 337,584	$ 24,908,596	$ 8,420,616	$ 33,329,212

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets without donor restrictions	$ 2,419,370	$ 5,144,218
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Provision for loan loss reserve	1,166,756	1,015,742
Depreciation expense	86,003	114,539
Realized and unrealized loss (gain) on investments	1,734,799	(723,555)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(107,893)	597,028
Accounts payable and accrued expenses	567,944	416,972
Net cash provided by operating activities	5,866,979	6,564,944
Cash flows from investing activities		
Net loan principal collections (originations)	14,000,161	(28,537,208)
Purchase of investments	(29,238,082)	(20,686,347)
Proceeds from sale and maturity of investments and distributions	11,960,884	23,867,613
Purchases of furniture and equipment	-	(203,198)
Net cash (used in) investing activities	(3,277,037)	(25,559,140)
Cash flows from financing activities		
Net proceeds from investor notes payable	2,165,748	9,493,356
Proceeds on other notes payable	5,389,162	2,103,801
Net cash provided by financing activities	7,554,910	11,597,157
Net increase(decrease) in cash and cash equivalents	10,144,852	(7,397,039)
Cash and cash equivalents at beginning of year	23,032,801	30,429,840
Cash and cash equivalents at end of year	$ 33,177,653	$ 23,032,801

Supplemental Disclosures on Cash Flow Information

	2019	2018
Interest on notes payable	$ 1,939,734	$ 1,275,569
Income taxes paid	$ 47,456	$ 5,203

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION

Rudolf Steiner Foundation, Inc. dba: RSF Social Finance was incorporated in 1936. As a nonprofit benefit organization, RSF and its affiliates ("RSF") creates social benefit through innovative approaches to working with money that reflect the highest aspirations of the human spirit. RSF fosters relationships, collaboration, and community building as the basis for the movement of money and the cultivation of living economies. RSF provides ways for donors, investors, borrowers, and grant recipients to use money to integrate their values with practical objectives. To further this mission, RSF carries out its services on a worldwide basis through philanthropic services, social investment, lending, grant making, advising, and educational programs. RSF's focus areas include: sustainable agriculture and food distribution systems, education and the arts, and ecological stewardship. RSF has three primary programs to support the charitable mission:

Investor Notes Program – RSF offers individuals and organizations the ability to invest in unsecured notes as part of the Investor Notes Program. The notes mature and pay interest at the end of each calendar quarter, and principal and interest are automatically reinvested or, if an investor requests, repaid at maturity. RSF sets the interest rate for the notes effective as of the first day of each calendar quarter. See note 7 – Notes Payable.

Lending Program – Proceeds from the Investor Notes Program are used by RSF to make loans to a broad range of mission-related social enterprises in the fields of sustainable agriculture, education and the arts, and ecological stewardship. Borrowers are evaluated on factors such as creditworthiness, social mission, supplier and customer practices, community engagement, and environmental regeneration. See Note 3 – Loans Receivable, Net.

Integrated Capital Initiative Program – Proceeds from the Investor Notes Program are used by RSF to make loans to enterprises that are working to solve complex social and environmental problems through the coordinated use of different forms of financial capital and non-financial resources.

The consolidated financial statements include the following affiliates: RSF Global Community Fund, Inc. ("GCF"); RSF Social Investment Fund, Inc. ("SIF"); RSF Capital Management, PBC ("CMP"); and RSF Mezzanine Management, LLC ("MML"). GCF and SIF are California nonprofit public benefit corporations established for the special and exclusive purpose of supporting financial and charitable activities of RSF. CMP is a Delaware for-profit public benefit corporation established by RSF to manage its for-profit activities and to act as managing member of MML. CMP has a specific public benefit purpose of creating a material positive impact on society and the environment. MML is a Delaware limited liability company, which is the general partner of Mezzanine Fund, LP ("MFL"). MFL, a Delaware limited partnership, is an investment portfolio entity that was created to raise capital through the limited partners contributions in order to provide loans and equity investments. On December 20, 2018, MFL's limited partnership registration was cancelled and its powers, rights and privileges in California ceased.

Prior to its dissolution on December 21, 2018, RSF Charitable Asset Management, LLC ("CAM LLC"), a California limited liability company controlled by RSF, was an investment portfolio entity that was created by RSF to consolidate the investments of RSF and its affiliates relative to their philanthropic services activities. On December 21, 2018, CAM LLC transferred all its assets and liabilities to RSF, and SIF withdrew its investment in CAM LLC's underlying investments of $4,271,095.

Prior to its dissolution, RSF Social Enterprise, Inc. ("SEI") was a California C corporation, a wholly owned subsidiary of CMP, which was created to originate and acquire social enterprise loans that may be considered non-charitable. Effective January 1, 2018, SEI, an entity under the common control of SIF's parent company, RSF, transferred all its assets and liabilities to SIF. SEI was a for-profit entity with the primary objective of funding loans to for-profit organizations that support RSF's charitable mission. Upon the merger of SIF and SEI, SEI was terminated. All transfers of intercompany assets and liabilities were eliminated upon consolidation.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Not-for-Profit Entities, these consolidated financial statements include the accounts of RSF, GCF, SIF, CMP and MML (collectively, "RSF"). RSF appoints the majority of the directors of GCF, SIF, CMP and MML and has an economic interest in these entities. All significant intercompany transactions and accounts have been eliminated in the consolidation.

Basis of Presentation: The consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Description of Net Assets: RSF reports information regarding its consolidated financial position and activities according to two classes of net assets. *Without donor restrictions* is defined as that portion of net assets that has no use or time restrictions. RSF maintained reserves designated by its Board of Directors of $5,194,776 as of December 31, 2019 and $700,000 as of December 31, 2018. These reserves are considered net assets without donor restrictions. *With donor restrictions* is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Net assets with donor restrictions were $150,000 as of December 31, 2019 and 2018.

Use of Estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for loan losses, allocation of functional expenses and fair value measurement. Actual results could differ from those estimates.

Cash and Cash Equivalents: RSF considers all highly-liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Money market accounts and certificates of deposit that are intended for long-term investment purposes are classified separately under investments.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mission-Related Investments: Mission-related investments are investments in which RSF intend to generate a social return as well as a financial return. Such investments are related to, and further RSF's programmatic mission. See Note 4 – Investments.

Mission-Related Loans Receivable: These consist of mission-related loans made by RSF to nonprofit and for-profit social enterprise organizations. The loans are generally collateralized by mortgages, business assets, guarantees and pledges from individuals and nonprofit organizations. These loans are reported at their outstanding principal balances together with accrued interest and fees, net of any unamortized costs on originated loans. RSF has the ability and intent to hold the loans for the foreseeable future. While loans receivable are categorized by type for disclosure purposes, management believes that each category has a similar risk of repayment. See Note 3 – Loans Receivable, Net.

Allowance for loan losses – The allowance reflects management's best estimate of losses inherent in the loan portfolio. The allowance is increased by provisions for loan losses charged against earnings and reduced by charge-offs, net of recoveries.

Management has established a process to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in their portfolio, including adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and historical loss experience. Management also considers economic uncertainties and other subjective factors, including industry trends.

The overall allowance consists of:

1. Specific allowances for individually identified impaired loans (FASB Accounting Standards Codification ("ASC") 310-10) and
2. General allowances for pools of loans (ASC 450-20), which incorporates quantitative (e.g. historical loan loss rates) and qualitative risk factors (e.g. portfolio growth and trends, credit concentrations, economic and regulatory factors, etc.).

Management has an experienced team that works with borrowers to help them through financial challenges that could affect their ability to make loan payments. If the financial position of certain borrowers improves over time, it may be possible to recover part of the allowance for loan losses and take the recovered amount back into income.

Non-accrual loans – Generally, loans are placed on non-accrual status when one or more of the following occurs:

1. The scheduled loan payment becomes 90 days past due;
2. It becomes probable that the client cannot or will not make scheduled payments;
3. Full repayment of interest and principal is not expected; and
4. The loan displays potential loss characteristics.

It is RSF's policy to classify all loans with a delinquent status of 90 days as substandard and place the loans on non-accrual status.

When placed on non-accrual, RSF reverses the recorded unpaid interest, and any subsequent payments shall be applied first to principal. Loans placed on non-accrual are generally deemed impaired.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans may be returned to accrual status when one or more of the following conditions have been met:

1. All payments (according to the original terms of the loan) are brought current;
2. A 6-month period of satisfactory payment history has been established; and
3. A current evaluation of the client indicates the ability to repay the loan according to the original terms.

Impaired loans – Impairment is considered to exist when it is probable that not all amounts will be collected due under the terms of the loan receivable. Factors considered by management in determining whether a loan is impaired include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Loans are considered impaired when the individual evaluation of current information regarding the borrower's financial condition, loan collateral, are impaired and/or cash flows indicate RSF will be unable to collect all amounts due according to the contractual terms of the loan agreement, including interest payments. Impairment is measured based on the present value of the expected future cash flows discounts at the loan's effective interest rate, or the fair value of the collateral, less costs to sell, if the loan is collateral dependent.

If management determines the value of the impaired loan is less than the recorded investment in the loan, RSF includes the impairment in the calculation of the overall allowance for loan losses.

Generally, a loan is charged off when it is deemed to be uncollectible. Collateral dependent loans are charged down to the fair value of the collateral and non-collateral dependent loans are charged down to the net realizable value.

Troubled Debt Restructuring ("TDR") – Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before it reaches nonaccrual status. A restructuring of a debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance, other actions designed to maximize collections.

TDRs are separately identified in impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, management determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

<u>Investments</u>: RSF records investments with readily determinable fair values at their fair values. Stock gifts received from donors are recorded as gift income at the fair value of the stock gifts on the date of donation. Gains and losses and investment income derived from investments are accounted for as with or without donor restrictions based on restrictions, if any, in the accompanying consolidated statements of activities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair values were evaluated by RSF to determine if the values should be adjusted. Factors considered included, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar entities, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

Investments are reported at fair value based on quoted market price, net asset value reported by fund managers or a market approach method which derives fair value by reference to observable valuation measures for comparable companies or assets such as performance metrics. Net appreciation or depreciation in investments, including realized gains or losses and unrealized appreciation or depreciation on those investments, as well as all dividends, interest, and other investment income, is reported in the consolidated statements of activities. Investment income is reported as an increase in net assets with or without donor restrictions, depending on donor-imposed restrictions on the use of the income.

<u>Investments Held at Cost</u>: Investments held at cost represent warrants, notes and closely-held stock. Investments in notes represent direct investments in loans by donors and are measured at cost less impairment and are adjusted for observable price changes in orderly transactions for the identical or similar investments of the same issuer. There were no adjustments for observable inputs. These investments are evaluated for impairment annually and written down when appropriate. As of December 31, 2019 and 2018, no such write-downs have occurred.

<u>Prepaid Expenses</u>: Any expenses paid prior to the related services rendered will be recorded as prepaid expenses. These prepaid expenses will be expensed once the service has been rendered or over the course of the contract period, such as for insurance policies.

<u>Furniture and Equipment</u>: Furniture and equipment in excess of $1,500 with a useful life in excess of one year are stated at cost, net of accumulated depreciation. Furniture and equipment net of accumulated depreciation is reported in prepaid and other assets. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to seven years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

RSF regularly evaluates long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset’s fair value or discounted estimates of future cash flows. RSF has not identified any such impairment losses to date.

<u>Notes Payable</u>: Notes payable are liabilities consisting of both investor notes and another loan facility made to RSF by individuals and organizations for specified periods, depending on the terms of the agreements with the other parties.

<u>Fair Value Measurements</u>: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed below. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions and may include significant management judgment and estimation.

RSF used the following methods and significant assumptions to estimate fair value:

Impaired Loans – are recorded at the lower of cost or fair value and thus are subject to fair value adjustments on a non-recurring basis. The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals, less estimated selling costs, if the loan is collateral dependent. Generally, a 10% discount is used to estimate selling costs. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

<u>Revenue Recognition</u>:

RSF records certain revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("Topic 606"). Under Topic 606, RSF must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) RSF satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

Certain sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. All of our revenue from contracts with customers in the scope of Topic 606 is recognized in non-interest income. Sources of revenue from contracts with customers that are in the scope of Topic 606 include the following:

Management Fees – RSF earns management fees from our customers for services rendered on assets under management related to Donor Advised Fund and other charitable funds accounts. Fees charged to these accounts on a monthly basis are recognized as the performance obligation is satisfied at the end of the service period. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the account holders.

Program revenue primarily consists of grant revenue. Grant revenues are recognized as net assets without donor restrictions as services are recognized in accordance with ASU 2018-08. Grants are considered to be a conditional contribution and the contribution is met when the services are performed and/or expenses are incurred.

Gifts and Contributions – Gifts and contributions consist principally of donations from individuals and organizations.

Gifts and contributions are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Support with donor restrictions is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

RSF has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statement of activities was not necessary. RSF generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is limited judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Interest and Fee Income – Most of RSF's income is derived from lending activities. Loans are generally offered at a base rate plus or minus a spread. The base rate charged on loans receivable is adjusted periodically in response to changing market and economic conditions among other factors. At December 31, 2019 and 2018, the base rate in place was 5.25%.

RSF also generates one-time origination fees ranging from 0.50% to 2.00% of the loan balance on new loans and upon the extension of the maturity date of existing loans. Net loan origination fees and costs are amortized to interest income over the contractual life of the loan using the effective interest method.

Donated Services – RSF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist RSF. The services of volunteers, while often significant in value, do not meet the criteria for financial statement recognition and, accordingly, are not presented in these accompanying consolidated financial statements.

Grants Made: Grant expense is recognized when the grants are approved by RSF.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation: The costs of RSF's various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Expenses directly identifiable with programs are charged to program services. Supporting services include overhead expenses not directly identifiable with programs but which provide for overall support and direction of RSF. Supporting service expenses were allocated among programs based on the estimated time spent on these functions by specific employees. RSF is not involved in the solicitation of contributions and, as such, no fundraising expenses are incurred.

Concentration of Credit Risk: Financial instruments, which potentially subject RSF to concentration of credit risk, consist principally of cash and cash equivalents with high credit quality financial institutions, investments, and loans receivable. These instruments are also subject to other market risk conditions such as interest rate risk, equity market risks and their implied volatilities, mortgage risks and market liquidity and funding risks.

Cash and cash equivalents on deposit with financial institutions are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 for all interest and non-interest bearing cash accounts at all FDIC-insured financial institutions and/or by the Securities Investor Protection Corporation ("SIPC") as of December 31, 2019 and 2018. At various times during 2019 and 2018, RSF had cash balances in excess of the insured limits. RSF has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk to cash.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect total net assets and the amounts reported in the consolidated statements of financial position.

Income Taxes: RSF (excluding CMP), are qualified organizations exempt from federal and California income taxes under, respectively, (i) Section 501(c)(3) of the Internal Revenue Code ("IRC") as an organization described under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC with respect to RSF and Section 509(a)(3) of the IRC with respect to SIF and GCF and (ii) Section 23701d of the California Revenue and Taxation Code.

SEI, prior to termination, and CMP pay both federal and state income tax on its taxable income. Income taxes are provided for the tax effect of transactions reported in the accompanying consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial and income tax reporting purposes. The deferred tax assets and liabilities represent future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. A valuation allowance is established against deferred tax assets if, in management's opinion, it is more likely than not that all or a portion of such deferred tax assets will not be fully realized.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to dissolution, CAM LLC was a limited liability company and was not subject to income taxes. Federal and state income tax statutes require that the income or loss of CAM LLC be included in the tax returns of the members. Each member is individually responsible for reporting income or loss, to the extent required by the federal and state income tax laws and regulations, based upon its respective share of the company's income and expense as reported for income tax purposes.

Accounting principles generally accepted in the United States of America prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that there are no tax benefits or liabilities to be recognized at December 31, 2019 and 2018.

RSF would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. RSF has no amounts accrued for interest or penalties for the years ended December 31, 2019 and 2018. RSF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Reclassification: Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year changes in net assets and net assets.

Recent Accounting Pronouncements:

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*: *Recognition and Measurement of Financial Assets and Liabilities*. This ASU, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in the change in net assets, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) requires an entity to present separately the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the consolidated statement of financial position or the accompanying notes to the consolidated financial statements and (v) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. ASU 2016-01 became effective for RSF on January 1, 2019 and did not have a significant impact on RSF's consolidated financial statements.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued):

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this ASU intend to increase transparency and comparability among organizations by recognizing an asset, which represents the right to use the asset for the lease term, and a lease liability, which is a lessee's obligation to make lease payments measured on a discounted basis. This ASU generally applies to leasing arrangements exceeding a twelve-month term. ASU 2016-02 is effective for nonpublic entities for annual periods, including interim periods within those annual periods beginning after December 15, 2019 and requires a modified retrospective method of adoption. In July 2018, the FASB issued two amendments to ASU 2016-02: ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which provides various corrections and clarifications to ASU 2016-02; and ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides a new optional transition method and provides a lessor with practical expedients for separating lease and non-lease components of a lease. Entities will apply a modified retrospective approach at either the beginning of the earliest period presented or at the beginning of the period of adoption through a cumulative-effect adjustment to retained earnings. Management is currently evaluating the impact of adopting this guidance on RSF's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard will replace today's "incurred loss" model with a "current expected credit loss" ("CECL") model. The CECL model will apply to estimated credit losses on loans receivable, held-to-maturity debt securities, unfunded loan commitments, and certain other financial assets measured at amortized cost. The CECL model is based on lifetime expected losses, rather than incurred losses, and requires the recognition of credit loss expense in the consolidated statement of activities and a related allowance for credit losses on the consolidated statement of financial position at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Likewise, subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but reasonable and supportable forecasts of future events and circumstances, incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance. Under ASU 2016-13, available-for-sale debt securities are evaluated for impairment if fair value is less than amortized cost. Estimated credit losses are recorded through a credit loss expense and an allowance, rather than a write-down of the investment. Changes in fair value that are not credit-related will continue to be recorded in other comprehensive income. The ASU also expands the disclosure requirements regarding assumptions, models, and methods for estimating the allowance for loan losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2019-10 extended the effective date of ASU 2016-13. The effective date for nonprofit entities is for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities will apply a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While RSF believes that the change from an incurred loss model to a CECL model has the potential to increase the allowance for loan losses at the adoption date. The impact of the adoption of the amendments to RSF's consolidated financial position or consolidated statement of activities cannot be reasonably quantified at this time due to the complexity and extensive changes from these amendments. RSF is evaluating tools to forecast future economic conditions that affect the cash flows of our loans over their respective terms.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued):

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU remove, modify, and add disclosure requirements for the fair value reporting of assets and liabilities. The modifications and additions relate to Level 3 fair value measurements at the end of the reporting period. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities should disclose and describe the range and weighted-average of significant observable inputs used to develop Level 3 fair value measurements prospectively. Early adoption is permitted. Entities making this election are permitted to early adopt the eliminated or modified disclosure requirements and delay the adoption of all the new disclosure requirements until the ASU's effective date. As the ASU's requirements only relate to disclosures, the amendments will not impact RSF's consolidated financial position or consolidated statement of activities.

NOTE 3 - LOANS RECEIVABLE, NET

As of December 31, 2019 and 2018, RSF's total loans receivable are summarized by loan category in the following table:

	2019	2018
Education and the arts	$ 55,135,721	$ 64,496,255
Food and agriculture	46,763,412	51,775,020
Climate and environment	16,427,283	17,226,039
Subtotal	118,326,416	133,497,314
Allowance for loan losses	(3,134,317)	(3,138,298)
	$ 115,192,099	$ 130,359,016

RSF extends credit to organizations that are mission-related. Interest rates on newly originated loans ranged from 5.50% to 8.50% during 2019 and from 0.00% to 8.75% during 2018. RSF performs ongoing credit evaluations of their borrowers, maintaining allowances for potential credit losses, when appropriate.

For certain extensions of credit, RSF may require collateral, based on their assessment of a borrower's credit risk. RSF holds various types of collateral, including real estate, accounts receivable, inventory, equipment, guarantees and financial instruments. Collateral requirements for each borrower may vary according to the specific credit underwriting, terms and structure of loans funded immediately or under a commitment to fund at a later date.

Certain commitments are subject to loan agreements with covenants regarding the financial performance of the borrower or borrowing base formulas that must be met before RSF is required to fund the commitment. RSF uses the same credit policies in extending credit for unfunded commitments in funding loans. In addition, RSF manages the potential risk in credit commitments by limiting the total amount of arrangements, both by organizations and/or affiliates, by monitoring the size and maturity structure of these loans and by applying the same credit standards for all loan activities. Although RSF believes the related collateral to be adequate, there is no assurance that the underlying assets have sufficient value to fully collateralize the outstanding balances. As of December 31, 2019 and 2018, the contractual amount of the unfunded credit commitments were approximately $15,570,000 and $16,547,000, respectively.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

Investors have the option to enter into a limited guarantee agreement with RSF whereby the investor noteholder pledges their investor note to cover potential loan losses in a specific focus area with in the portfolio. In 2019 and 2018, RSF had in place approximately $5,734,000 and $4,600,000, respectively, in limited guarantees from investors to provide for additional coverage for possible loan losses.

Below is an analysis of the allowance for loan losses for the years ended December 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	$ 3,138,298	$ 2,297,754
Provision for loan losses	1,166,756	1,015,742
Charge-offs, net of recoveries	(1,170,737)	(175,198)
Balance at end of year	$ 3,134,317	$ 3,138,298
Allowance for loan losses individually evaluated for impairment		
Food and agriculture	$ -	$ 43,193
Climate and the environment	734,526	443,655
	$ 734,526	$ 486,848
Allowance for loan losses collectively evaluated for impairment		
Education and the arts	$ 2,148,186	$ 1,259,571
Food and agriculture	251,605	1,050,204
Climate and the environment	-	341,675
	$ 2,399,791	$ 2,651,450

As of December 31, 2019 and 2018, the allowance for loan losses associated with the following loans is estimated on an individually evaluated basis. The tables below summarize key information for all impaired loans. The recorded investment in impaired loans includes accrued interest, deferred fees and deferred costs. Interest income recognized on a cash basis was not considered significant for separate disclosure.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

	2019				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Education and the arts	$ 7,426,666	$ 7,406,413	$ -	$ 7,735,199	$ 247,761
Food and agriculture	1,361,670	1,354,628	-	1,438,737	84,253
Climate and environment	-	-	-	-	-
Subtotal	8,788,336	8,761,041	-	9,173,936	332,014
With an allowance recorded:					
Education and the arts	-	-	-	-	-
Food and agriculture	-	-	-	-	-
Climate and environment	2,937,522	2,916,565	734,526	3,051,681	256,154
Subtotal	2,937,522	2,916,565	734,526	3,051,681	256,154
Total	$ 11,725,858	$ 11,677,606	$ 734,526	$ 12,225,617	$ 588,168

	2018				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Education and the arts	$ 3,623,322	$ 3,615,718	$ -	$ 3,428,576	$ 107,027
Food and agriculture	621,030	608,434	-	449,689	65,903
Climate and environment	-	-	-	-	-
Subtotal	4,244,352	4,224,152	-	3,878,265	172,930
With an allowance recorded:					
Education and the arts	1,457,593	1,457,593	43,193	1,422,635	-
Food and agriculture	804,300	800,000	443,655	1,277,720	84,848
Climate and environment	-	-	-	-	-
Subtotal	2,261,893	2,257,593	486,848	2,700,355	84,848
Total	$ 6,506,245	$ 6,481,745	$ 486,848	$ 6,578,620	$ 257,778

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

Impaired loans are recorded at the lower of cost or fair value. Impaired loans are not recorded at fair value on a recurring basis. The fair value of an impaired loan is estimated using collateral value, market value of similar debt, liquidation value, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investment in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value or the appraised value contains a significant unobservable assumption, and there is no observable market price, RSF records the impaired loan as nonrecurring Level 3. The table below presents the balances of impaired loans measured at fair value at December 31, 2019, and 2018, on a non-recurring basis.

2019	Total	Level 1	Level 2	Level 3
Climate & environment	$ 2,202,994	$ -	$ -	$ 2,202,994
Total	$ 2,202,994	$ -	$ -	$ 2,202,994

2018	Total	Level 1	Level 2	Level 3
Education and the arts	$ 1,414,400	$ -	$ -	$ 1,414,400
Food and agriculture	360,645	-	-	360,645
Total	$ 1,775,045	$ -	$ -	$ 1,775,045

The following table presents loans by class, modified as troubled debt restructurings that occurred during the years ended December 31, 2019 and 2018:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2019			
Education and the arts	3	$ 1,873,425	$ 1,873,425
Food and agriculture	3	$ 448,459	$ 448,459

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2018			
Food and agriculture	1	$ 1,207,780	$ 1,207,780

The modifications of loan terms during the years ended December 31, 2019 and 2018 included lowering principal and interest payments and payment deferrals.

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ended December 31, 2019 and 2018.

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

The concentration of loans to Waldorf and charter schools was approximately 24% and 22% at December 31, 2019 and 2018, respectively. Based on current economic conditions, schools may be subject to a drop in tuition revenue and/or state funding. RSF monitors the underlying economic or market conditions for these areas within their credit risk management process, including schools' financial health by reviewing reports submitted by the schools as required by their loan covenants, conducting site visits and staying in regular contact with the school administrators.

Management assesses the credit quality of its loans with a risk rating system, where loans are classified in the following categories: pass, watch, special mention, substandard, doubtful and loss. The risk ratings reflect the relative strength of the sources of repayment.

Pass – These loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. These borrowers may have some credit risk that requires monitoring, but full repayment is expected.

Watch or Special Mention – These loans are considered to have potential weaknesses that warrant close attention by management. Special mention may be a transitory grade and could include modified loans which are performing but retain this rating beyond six months. If any potential weaknesses are resolved, the loan is upgraded to a pass or watch grade. If negative trends in the borrower's financial status or other information is presented indicating that the repayment sources may become inadequate, the loan is downgraded to substandard.

Substandard – The loans are considered to have well-defined weaknesses that jeopardize the full and timely repayment of the loan. Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Additionally, when management has assessed a potential for loss but a distinct possibility of loss is not recognizable, the loan is still classified as substandard.

Doubtful – These loans have insufficient sources of repayment and a high probability of loss.

Loss – These loans are considered to be uncollectible and are, therefore, charged off.

These internal risk ratings are reviewed continuously and adjusted for changes in borrower status and the likelihood of loan repayment.

The following table shows the gross loan portfolio allocated by management's internal risk ratings at December 31, 2019 and 2018:

	Credit Risk Profile by Internally Assigned Grade			
	Education and the Arts	Food and Agriculture	Climate and Environment	Total
2019				
Grade:				
Pass	$ 41,294,799	$ 41,554,646	$ 13,297,948	$ 96,147,393
Watch list/special mention	8,616,266	3,847,095	191,814	12,655,175
Substandard	3,027,465	1,361,671	2,937,521	7,326,657
Doubtful	2,197,191	-	-	2,197,191
Loss	-	-	-	-
Total	$ 55,135,721	$ 46,763,412	$ 16,427,283	$ 118,326,416

(Continued)

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

2018				
Grade:				
Pass	$ 53,544,969	$ 47,375,634	$ 16,825,770	$ 117,746,373
Watch list/special mention	7,976,617	2,645,872	400,269	11,022,758
Substandard	2,974,669	916,873	-	3,891,542
Doubtful	-	836,641	-	836,641
Loss	-	-	-	-
Total	$ 64,496,255	$ 51,775,020	$ 17,226,039	$ 133,497,314

The following table shows an aging analysis of the loan portfolio by the time past due at December 31, 2019 and 2018:

	30-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
2019						
Education and the arts	$ -	$ -	$ 3,412,881	$ 3,412,881	$ 51,722,840	$ 55,135,721
Food and agriculture	-	-	-	-	46,763,412	46,763,412
Climate and environment	-	-	-	-	16,427,283	16,427,283
Total	$ -	$ -	$ 3,412,881	$ 3,412,881	$ 114,913,535	$ 118,326,416
2018						
Education and the arts	$ -	$ -	$ 3,532,226	$ 3,532,226	$ 60,964,029	$ 64,496,255
Food and agriculture	-	-	87,006	87,006	51,688,014	51,775,020
Climate and environment	-	-	-	-	17,226,039	17,226,039
Total	$ -	$ -	$ 3,619,232	$ 3,619,232	$ 129,878,082	$ 133,497,314

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The tables below present the balances of assets measured at fair value at December 31, 2019 and 2018, on a recurring basis.

	2019				
	Total	**Level 1**	**Level 2**	**Level 3**	**Net Asset Value**
Cash Equivalents	$ 58,725,124	$ 58,725,124	$ -	$ -	$ -
Corporate Securities	6,268,198	3,048,687	-	3,219,511	-
Government Securities	67,386	67,386	-	-	-
Investments Held at NAV					
Private Debt Funds	9,101,803	-	-	-	9,101,803
Private Equity Funds	3,203,947	-	-	-	3,203,947
	$ 77,366,458	$ 61,841,197	$ -	$ 3,219,511	$ 12,305,750

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

	2018				
	Total	Level 1	Level 2	Level 3	Net Asset Value
Cash equivalents	$ 42,100,270	$ 42,100,270	$ -	$ -	$ -
Corporate securities	7,005,076	3,785,565	-	3,219,511	-
Government securities	73,651	73,651	-	-	-
Investments, held at net asset value					
Private debt funds	11,861,200	-	-	-	11,861,200
Private equity funds	3,561,834	-	-	-	3,561,834
	$ 64,602,031	$ 45,959,486	$ -	$ 3,219,511	$ 15,423,034

Investments held by RSF include cash and cash equivalents, securities, and equities held specifically for programmatic and long-term purposes.

RSF manage their mission related investments, excluding loans receivable, according to the RSF Global Investment Policy Statement. This policy establishes the overall investment objectives, social impact goals, and asset allocation and diversification parameters, due diligence requirements, performance management and policy compliance management.

Valuation process – Fair value associated with these investments were based on information provided by the invested company. RSF determines fair value measurement policies and procedures for assets and liabilities under the supervision of the Board of Directors and the Chief Financial Officer. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies, and are consistent with market, income, and cost approaches. Unobservable inputs used in the fair value measurements are evaluated, as necessary, based on current market conditions, reporting from invested company, and other third-party information, including contract terms.

Investments, held at net asset value are primarily comprised of investments in funds and limited partnerships. Fair value associated with these investments has been based on information provided by the individual fund managers. RSF used the net asset value per share (or its equivalent) to estimate the fair value of these alternative investments.

The investment nature of the alternative investments as of December 31, 2019, for which fair value is based on net asset value is as follows:

	Fair Value	Unfunded Commitments
Private Debt Funds	$ 9,101,803	$ -
Private Equity Funds	3,203,947	1,390,442
	$ 12,305,750	$ 1,390,442

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Funds – RSF invests in two categories of funds. The first category consists of private debt funds that represent a diverse portfolio of industries and geographies. These funds invest in U.S. and non-U.S. debt instruments of privately held companies. Over fifty percent of these positions have monthly liquidity with a thirty-day redemption notice period required, or shorter. One hundred percent of these positions have yearly liquidity. The second category consists of private equity funds that represent a diversified group of select, primarily domestic, private equity and venture capital limited partnerships. These investments are not generally eligible for redemption.

For investments for which there is no active market, generally referred to as “alternative investments”, fair values are initially based on valuations determined by using audited net asset values (“NAV”) as of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through year end.

RSF endeavors to ensure that the fair values of the financial instruments reported in the consolidated financial statements are appropriate and determined on a reasonable basis.

While RSF believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets existed, or had such assets been liquidated, and these differences could be material to the consolidated financial statements.

The following summarizes the valuation methodologies and significant quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of December 31, 2019 and 2018:

RSF’s valuation of Sustainable Produce Urban Delivery Inc. (SPUD) common stock, included in corporate securities, used the market approach method which derives fair value by reference to observable valuation measures for comparable companies or assets such as performance metrics and last round of financing subject to a 40-50% liquidity discount. The fair value of SPUD common stock was $3,219,511 at December 31, 2019 and 2018.

The investment objective of the Level 3 investments is to seek returns from socially responsible companies and allow for the investor to exit at the opportune time. These funds include direct equity, and are intended to diversify the investment portfolio. There are no unfunded commitments in Level 3 investments as of December 31, 2019 or 2018.

The following table is a roll forward of those investment assets classified as Level 3 as of December 31, 2019 and 2018:

	Corporate Securities
Beginning balance January 1, 2018	$ 2,595,149
Unrealized gain	624,362
Ending balance December 31, 2018	$ 3,219,511
Unrealized gain	-
Ending balance December 31, 2019	$ 3,219,511

NOTE 5 - FURNITURE AND EQUIPMENT

Furniture and equipment, included in prepaid expenses and other assets, consist of the following as of December 31:

	2019	2018
Computer equipment and software	$ 1,086,682	$ 1,046,191
Furniture and fixtures	220,922	220,922
Office equipment	91,443	91,443
	1,399,047	1,358,556
Less: Accumulated depreciation and amortization	(1,237,961)	(961,342)
	$ 161,086	$ 397,214

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was $86,003 and $114,539, respectively.

NOTE 6 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects RSF and its affiliates' financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or when held for others. Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 and 2018:

	2019	2018
Financial assets		
Cash and cash equivalents	$ 33,177,653	$ 23,032,801
Mission related loans and investments:		
Loans receivable, net of allowance for loan losses	115,192,099	130,359,016
Investments, at fair value	77,366,458	64,602,031
Investments, held at cost	8,691,048	5,913,076
Financial assets, at December 31, 2019	$ 234,427,258	$ 223,906,924
Less those unavailable for general expenditure within one year, due to:		
Principal receivable from loans after December 31, 2020	83,255,622	119,507,714
Loan fees receivable after December 31, 2020	-	5,410
Illiquid investments, at fair value	77,366,458	64,602,031
Illiquid investments, held at cost	8,691,048	5,913,076
Board designated operating reserve account	5,194,776	700,000
Net assets with donor restrictions	150,000	150,000
Financial assets available to meet cash needs for general expenditures within one year	$ 59,769,354	$ 33,028,693

In addition to the financial assets available in the table above, RSF and its affiliates had approximately $5,538,000 in limited loan guarantees as of December 31, 2019. Management structures RSF and its affiliates' financial assets to be available for general expenditures, including RSF investor notes payable redemptions and borrower draws on lines of credit, liabilities, and other obligations as they come due.

NOTE 7 - NOTES PAYABLE

Investor Notes Payable: Investor notes payable consist of funds received by RSF and its affiliates from individuals, organizations and/or corporations that would like to support mission related projects.

Investor notes payable are carried at historical cost, which includes the total value of the principal investments plus accrued interest. Under FASB ASC Topic 825, Financial Instruments, the fair value of these notes is equal to the amount payable on demand at the measurement date.

At December 31, 2019 and 2018, RSF and its affiliates had unsecured investor notes payable totaling $131,430,578 and $129,264,830, respectively, with effective interest rates of 1.25% and 1.00%, respectively. Upon renewal, the principal amount of the note will include any elected reinvested quarterly interest.

Investor notes payable have a three-month renewable term and upon maturity these notes automatically renew unless RSF and its affiliates receive a request from the investors for repayment before the maturity date. RSF and its affiliates' management observes that the average term of an active investor is 9.2 years and that over the past three years only an average of 9% of total investor notes payable have been withdrawn annually by investors.

In the event that requests for note repayments are in excess of management's expectations, management is able to fund these requests by utilizing available cash and cash equivalents, proceeds from selling investments, and through additional borrowings available from RSF and its affiliates.

Other Notes Payable: Other notes payable consists of notes with maturities greater than one year. Other notes payable comprised the following notes for the years ended December 31 2019 and 2018. All unpaid principle balance and accrued interest are due upon maturity.

Issued	Original Principal Amount	Maturity Date	Interest Rate	Outstanding Balance at December 31, 2019	2018
December 2016	$ 8,000,000	December 2021	2.00%	$ 8,000,000	$ 8,105,333
June 2019	$ 2,671,807	June 2022	2.50%	2,671,807	-
May 2019	$ 310,000	May 2022	2.00%	310,000	-
January 2019	$ 500,000	December 2021	2.25%	500,000	-
July 2019	$ 2,000,000	June 2021	1.25%	2,012,688	-
				$ 13,494,495	$ 8,105,333

Other notes payable are carried at historical cost, which includes the total value of the principal investments plus accrued interest. Under the FASB Accounting Standards Codification ("ASC") Financial Instruments, the fair value of these notes is equal to the amount payable on demand at the measurement date.

NOTE 8 - INCOME TAXES

Income taxes pertaining to CMP for 2019 and 2018 and SEI (prior to termination), are provided for the tax effects of transactions reported in the accompanying consolidated financial statements, and consist of taxes currently due plus or minus deferred taxes. Deferred taxes relate primarily to temporary differences in loan losses, unrealized gains and losses, depreciation and amortization, certain accrued expenses and net

NOTE 8 - INCOME TAXES (Continued)

operating loss carryforwards. The deferred taxes represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The provision for (benefit from) income taxes consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Current:		
Federal	$ -	$ -
State	1,600	1,600
Total current tax provision	1,600	1,600
Deferred:		
Federal	(11,091)	(86,626)
State	(6,566)	(56,002)
Total deferred tax benefit	(17,657)	(142,628)
Change in valuation allowance	16,057	142,628
Provision for income taxes	$ 1,600	$ 1,600

Deferred tax assets (liabilities) are comprised of the following at December 31, 2019 and 2018:

	2019	2018
Deferred tax assets:		
Net operating losses	$ 677,000	$ 557,000
Unrealized loss on investments	-	-
Allowance for loan losses	-	-
Gross deferred tax assets	677,000	557,000
Valuation allowance	(6,000)	(414,000)
Total deferred tax assets	671,000	143,000
Deferred tax liabilities	(671,000)	(143,000)
Total deferred tax assets	$ -	$ -

At December 31, 2019 and 2018, CMP had $2,421,073 and $2,474,047 of federal net operating loss carryforwards, respectively. At December 31, 2019 and 2018, CMP had $2,406,844 and $2,350,664 of state net operating loss carryforwards, respectively. These federal and state net operating loss carryforwards expire beginning in 2028 for net operating losses generated 2017 and before, and carried-forward indefinitely for those generated in 2018 and 2019.

NOTE 8 - INCOME TAXES (Continued)

Certain activities not directly related to RSF, GCF and SIF's tax-exempt purposes are treated as unrelated business income, subject to federal and California corporate income taxes. For the years ended December 31, 2019 and 2018, federal and state income taxes on unrelated business income were not material.

NOTE 9 - NET ASSETS

Net assets without donor restrictions are the portion of net assets that have no use or time restrictions. This classification also includes reserves designated by the Board of Directors to be used to support day-to-day operations in the event of unforeseen shortfalls, to cover losses in the RSF Social Investment Fund and RSF Social Finance loan portfolios, and to pay for expenditures to build long-term capacity or infrastructure.

As of December 31, 2019 and 2018, net assets without donor restrictions consist of the following board designated reserves:

	2019	2018
Board designated operating reserve account	$5,194,776	$ 700,000

Contributions received by RSF with restrictions are related to donor imposed time or purpose restrictions.

As of December 31, 2019 and 2018, net assets with donor restrictions consist of the following:

Donor restricted funds for RSF Shared Risk Program	$ 50,000
Donor restricted funds for RSF Revolving Capital Permanent Fund	100,000
Total	$ 150,000

Net assets with donor restrictions are released from their restrictions once the time or purpose restriction is satisfied as specified by the donor.

There were no net assets released from donor restrictions for the years ended December 31, 2019 and 2018.

NOTE 10 - COMMITMENTS

As of December 31, 2019, RSF has the following commitments:

Lease: RSF leases their office facility in San Francisco, California under a non-cancelable operating lease through May 2021. The operating lease requires minimum monthly rental payments of $35,795 subject to annual increases based on defined increases in the Department of Labor's Bureau of Labor Statistics Consumer Price Index. In addition to minimum rental payments, the lease agreement provides for percentage rents based on tenant operating expenses exceeding stated amounts.

Rent expense under the operating lease totaled approximately $390,000 and $430,000 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 – COMMITMENTS (continued)

The future minimum payments for the operating lease are as follows:

Years Ending December 31,		
2020	$	424,346
2021		179,189
	$	603,535

NOTE 11 - RELATED PARTY TRANSACTIONS

Investments: RSF's investments consist of investments of which certain members of the Board of Directors are either board members of these companies and/or serve in an advisory capacity for certain members of the limited liability companies/nonprofit organizations.

Cash and Cash Equivalents: RSF has accounts with Amalgamated Bank, formerly New Resource Bank (NRB). Mark Finser, RSF Board Member and former RSF Board Chair, is a founder and chairman of NRB. Upon Amalgamated Bank's acquisition of NRB in 2018, Mr. Finser became a director of Amalgamated Bank. The balances of the accounts were $8,444,881 and $6,394,124 at December 31, 2019 and 2018, respectively.

Note Receivable: On June 3, 2015, CMP entered into a Split-Dollar Loan Agreement (the "Loan Agreement") with one of its key employees ("Employee") pursuant to which CMP agreed to make seven-interest-bearing, non-recourse $200,000 loans ("Split Dollar Loans") to Employee over seven years. $200,000 was funded in each year beginning in 2015. The interest rate on the first Split Dollar Loan was 2.50% and the interest rate on the remaining Split Dollar Loans were set at the Applicable Federal Rate per Treas. Reg. Section 1.7872-15(e)(4)(ii) on the date such Split Dollar Loans were funded. On September 30, 2018, upon the no-cause termination of Employee's contract, CMP was released from further obligation to make additional Split Dollar Loans. Accordingly, the first Split Dollar Loan was made to Employee on June 3, 2015, and subsequent Split Dollar Loans were made on or about May 12th of 2016 to 2018, for a total of $800,000 in Split Dollar Loans. Each Split Dollar Loan was (1) made in the form of a premium payment to John Hancock Life Insurance Company to fund a life insurance policy (the "Policy") with a face amount of $2,981,078 on the life of Employee and (2) evidenced by a Promissory Note for Split Dollar Loan executed by Employee in favor of CMP.

The Split Dollar Loans fund all of the planned premiums for the Policy and are secured by a Collateral Assignment of Life Insurance Policy pursuant to which Employee assigned CMP an interest on the Policy, which provides that in the event of the death of Employee, the termination or surrender of the Policy, or the termination of the Loan Agreement, CMP is entitled to receive from the proceeds of the Policy the cumulative balance of principal and interest then owing on the Split Dollar Loans. The Loan Agreement is structured as non-recourse in that should the Split Dollar Loans' aggregate principal and interest balance exceed the proceeds from death benefit, surrender or other settlement of the Policy, Employee would not be obligated to repay CMP for the excess. Therefore, the asset carried by CMP is limited to the cash surrender value of the Policy, which was $703,547 and $723,125 as of December 31, 2019 and 2018, respectively, and is included in prepaid expense and other assets on the consolidated statements of financial position.

NOTE 12 - RETIREMENT PLAN

RSF has established a defined contribution plan and a retirement annuity money purchase plan covering all RSF full-time employees. RSF's contribution to the Plan was a flat rate of $3,500 per employee for the years ended December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018, RSF contributed approximately $170,000 and $105,000, respectively, to the retirement plan.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued. RSF recognizes in the consolidated financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

Subsequent to year end, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. In addition, the Federal Open Market Committee of the United States Federal Reserve System lowered the federal funds target rate by 1.50%, reduced the rate for discount window loans, and took other actions to promote the stability of the financial system.

The duration and intensity of the impact of the coronavirus and resulting impact on RSF is unknown. A broad-based reduction in interest rates may reduce RSF's interest income and/or net interest margin, may result in increased prepayments of mortgage loans, and may cause investors to redeem notes, impacting RSF's liquidity. A reduction in economic output or a recession in the U.S. economy, both of which appear probable as a result of the pandemic, may also result in a decreased valuation of many of RSF's assets.

In April 2020, RSF was granted a loan under the Paycheck Protection Program offered by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), for $858,100 with a maturity date of April 21, 2022. The loan bears interest at 1% with no payments for the first 6 months. The loan is subject to partial or full forgiveness if RSF uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and rules, regulations and guidance.

RSF evaluated subsequent events through May 8, 2020, the date the consolidated financial statements were available to be issued, and have determined that there are no subsequent events that require additional disclosure.

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