REDF

FINANCIAL STATEMENTS

For The Years Ended December 31, 2010 and 2009

with

INDEPENDENT AUDITOR'S REPORT

REDF
FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

Table of Contents

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Independent Auditor's Report

To the Board of Directors
REDF
San Francisco, California

I have audited the accompanying statements of financial position of REDF as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with U. S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REDF as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

Carl M. Arntzen, CPA

Carl M. Arntzen, CPA
March 23, 2011

REDF

Statements of Financial Position

December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$1,545,069	$889,898
Certificates of deposit with original maturities of 6 to 18 months	2,838,043	3,069,523
Grants receivable within one year	2,268,667	370,083
Governmental awards receivable	144,220	
Other receivables	36,531	10,310
Prepaid expenses	10,736	5,206
Total current assets	6,843,266	4,345,020
Grants receivable after one year, net of discounts	1,364,363	60,000
Deposits	20,621	20,621
TOTAL ASSETS	$8,228,250	$4,425,641

LIABILITIES		
Current Liabilities		
Accounts payable	$69,182	$67,848
Accrued compensation	53,130	36,423
TOTAL LIABILITIES	122,312	104,271
NET ASSETS		
Unrestricted	3,879,922	3,894,985
Temporarily restricted	4,226,016	426,385
TOTAL NET ASSETS	8,105,938	4,321,370
TOTAL LIABILITIES AND NET ASSETS	$8,228,250	$4,425,641

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

REDF
Statements of Activities
For the Years Ended December 31, 2010 and 2009

	2010 Unrestricted	2010 Temporarily Restricted	2010 Total	2009 Unrestricted	2009 Temporarily Restricted	2009 Total
SUPPORT AND REVENUE						
Grants and contributions	$2,027,155	$4,690,045	$6,717,200	$530,539	$248,854	$779,393
Governmental awards	222,416		222,416			
Other income	22,888		22,888	87,635		87,635
Net assets released from restriction	890,414	(890,414)		1,785,884	(1,785,884)	
TOTAL SUPPORT AND REVENUE	3,162,873	3,799,631	6,962,504	2,404,058	(1,537,030)	867,028
EXPENSES						
Program expenses	2,352,840		2,352,840	1,936,359		1,936,359
Management and general	478,814		478,814	382,015		382,015
Fundraising	346,282		346,282	333,660		333,660
TOTAL EXPENSES	3,177,936		3,177,936	2,652,034		2,652,034
CHANGE IN NET ASSETS	(15,063)	3,799,631	3,784,568	(247,976)	(1,537,030)	(1,785,006)
NET ASSETS-BEGINNING	3,894,985	426,385	4,321,370	4,142,961	1,963,415	6,106,376
NET ASSETS-ENDING	$3,879,922	$4,226,016	$8,105,938	$3,894,985	$426,385	$4,321,370

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

REDF
Statement of Functional Expenses
For the Year Ended December 31, 2010

	2010 Program Costs	2010 Management & General	2010 Fund Raising	2010 Total	2009 Total (Page 5)
Program grants					
Enterprise capacity building grants	$372,500			$372,500	$366,000
Strategic business assistance grants	18,935			18,935	18,790
MBA intern and fellow compensation grants	109,500			109,500	26,000
Social outcome measurement grants	2,125			2,125	60,000
Education and innovation grants	5,000			5,000	9,100
Salaries	933,577	$214,141	$111,389	1,259,107	1,214,753
Pension plan contributions	17,579	4,665	1,532	23,776	22,650
Other employee benefits	67,481	29,412	9,047	105,940	100,673
Payroll taxes	69,142	17,344	8,029	94,515	92,870
Industry expertise and consultants	321,395	11,368	31,781	364,544	189,325
Outreach and promotion	49,765	15,042	25,851	90,658	61,680
Occupancy	91,859	33,630	13,189	138,678	132,586
Technology	153,976	19,453	11,732	185,161	104,837
Payroll services	18,384	6,654	2,598	27,636	32,147
Travel and meals	27,304	6,399	2,865	36,568	15,341
Insurance	5,171	1,929	754	7,854	7,663
Office supplies	11,197	3,658	2,397	17,252	12,420
Events	22,808	204	108,336	131,348	66,132
Conferences and meetings	21,408	2,225	887	24,520	24,499
Postage and shipping	2,827	1,062	1,681	5,570	4,329
Printing and publications	312	-	5,535	5,847	5,009
Equipment rental and maintenance	6,190	2,284	920	9,394	14,887
Dues, subscriptions and publications	2,924	1,853	1,705	6,482	5,495
Accounting services	12,240	93,289	-	105,529	47,484
Legal services	563	4,752	-	5,315	3,929
Miscellaneous	8,678	9,450	6,054	24,182	11,712
Depreciation	-	-	-	-	1,723
TOTAL EXPENSES	$2,352,840	$478,814	$346,282	$3,177,936	$2,652,034

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

REDF
Statement of Functional Expenses
For the Year Ended December 31, 2009

	2009 Program Costs	2009 Management & General	2009 Fund Raising	2009 Total
Program grants				
Enterprise capacity building grants	$366,000			$366,000
Strategic business assistance grants	18,790			18,790
MBA intern compensation grants	26,000			26,000
Social outcome measurement grants	60,000			60,000
Business development and innovation grants	9,100			9,100
Salaries	819,107	$225,905	$169,741	1,214,753
Pension plan contributions	15,273	4,212	3,165	22,650
Other employee benefits	67,884	18,722	14,067	100,673
Payroll taxes	62,622	17,271	12,977	92,870
Industry expertise and consultants	178,621	5,906	4,798	189,325
Outreach and promotion	36,584	5,520	19,576	61,680
Occupancy	89,402	24,657	18,527	132,586
Technology	76,422	13,117	15,298	104,837
Payroll services	21,677	5,978	4,492	32,147
Travel and meals	11,474	848	3,019	15,341
Insurance	5,167	1,425	1,071	7,663
Office supplies	8,367	2,209	1,844	12,420
Events	15,174	125	50,833	66,132
Conferences and meetings	17,712	1,998	4,789	24,499
Postage and shipping	2,708	747	874	4,329
Printing and publications	1,651	-	3,358	5,009
Equipment rental and maintenance	10,038	2,769	2,080	14,887
Dues, subscriptions and publications	2,841	766	1,888	5,495
Accounting services	6,243	41,241	-	47,484
Legal services	2,994	935	-	3,929
Miscellaneous	4,508	5,941	1,263	11,712
Depreciation	-	1,723	-	1,723
TOTAL EXPENSES	$1,936,359	$382,015	$333,660	$2,652,034

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

REDF
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$3,784,568	($1,785,006)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,725
Decrease (increase) in operating assets:		
Grants receivable	(3,202,947)	1,281,432
Government awards receivable	(144,220)	
Other receivables	(26,221)	
Prepaid expenses and deposits	(5,530)	16,042
Increase (decrease) in operating liabilities:		
Accounts payable	1,334	31,272
Accrued compensation	16,707	9,878
Net cash provided (used) by operating activities	423,691	(444,657)
Cash flows from investing activities:		
Certificates of deposit matured	231,480	615,431
Net cash provided by investing activities	231,480	615,431
Net increase in cash and cash equivalents	655,171	170,774
Cash and cash equivalents - beginning of year	889,898	719,124
Cash and cash equivalents - end of year	$1,545,069	$889,898

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

Note 1 – Organization

REDF began as a project of The Roberts Foundation in 1997 and was incorporated in November 2003 as an independent nonprofit corporation under the laws of the State of California to create opportunities for homeless and low income persons to move out of poverty.

Work transforms lives, strengthens communities and is an effective strategy for ending chronic poverty. However, for the past twenty years in America the poverty needle has remained stuck for many working-age adults. For discrete populations of low-income individuals— homeless people, at-risk youth, those that have been incarcerated or struggle with mental illness and addiction—joblessness exacerbates and protracts already difficult circumstances. REDF addresses both this opportunity and challenge by creating job opportunities for people who face the greatest barriers to employment.

Approval of New 2011-2015 Strategy

During the Fall of 2010, REDF's Board of Directors approved REDF's new five-year strategy. Between 2011 and 2015, REDF aims to: help 2,500 more people who face significant barriers move into the workforce through social enterprise jobs created by nonprofits in the San Francisco Bay Area, Los Angeles, and other California communities; and to create a sustainable, scalable, replicable social enterprise model that can employ tens of thousands more people in California and throughout the United States.

REDF 2010 Program Accomplishments

In July 2010, REDF was awarded a two-year, $3 million federal Social Innovation Fund (SIF) grant to implement its five year strategy by deepening its presence in the San Francisco Bay Area and expanding to other communities in California. By 2015, REDF aims to establish the social enterprise model as a sustainable pathway to employment for chronically unemployed Californians who, even in the best economy, are unable to find work; demonstrating what can eventually be done throughout the country to create jobs, contribute to local economies, and employ thousands of people.

The SIF award recognized and validated the work of REDF, and the nonprofits that have been part of its portfolio. In April 2010, REDF also convened more than 50 job-creating social enterprises from around the country to explore how to collaborate and accelerate business growth. The participants will form the nucleus of a REDF-convened group that play a key role as we craft a nationally replicable model of social enterprise. REDF also was a keynote speaker or presenter at multiple venues invited by distinguished leaders ranging from the Mayor of Fresno to Stanford's Center for Social Innovation.

Note 1 – Organization (Continued)

With REDF's 2010 investments, the organizations in REDF's portfolio continue to expand their social enterprises, create new jobs and employ people who would otherwise face limited prospects for entering into and staying in the workforce. Highlights of REDF's business and capacity-building work with these organizations include:

Buckelew Programs

- Finalized new social enterprise business plan and began start-up.
- Buckelew Programs' cleaning service increased job slots and people employed.

Community Housing Partnership (CHP)

- Developed a marketing/re-branding strategy and implementation plan for enterprises.
- CHP's desk clerk staffing business increased number of job slots and people employed.

San Francisco Conservation Corps (SFCC)

- With the help of REDF's Farber Fellow, Intern, and REDF staff, SFCC's Special Events Enterprise is on track to increase the number of special events where it provides recycling services by year-end 2011.

Society of St. Vincent de Paul, Alameda (SVdP)

- Increased transitional job slots through job subsidies and partnerships.
- SVdP's electronic waste recycling business increased revenue.

In terms of REDF"s influence in the field of social enterprise, REDF has produced two notable publications in 2010 which will be disseminated strategically in the coming months:

- REDF Social Outcomes Tracking Findings
  From 1998 – 2008, REDF contracted with BTW Consultants to collect pre-post data on social enterprise employees. Newly hired social enterprise employees were offered the opportunity to participate in baseline interviews, and those who participated in the baseline were contacted every 6 months for up to 2 years. Over this period, over 1100 baseline interviews were conducted, and roughly 500 people were tracked for at least 18 months.

- Mathematica Evidence Scan
  In addition to analysis of its own data, REDF is dedicated to learning from others working in social enterprise, transitional jobs and workforce development. In early 2010, REDF contracted with Mathematica Policy Research Inc to conduct an evidence scan of work programs for people with barriers to employment.

Note 1 – Organization (Continued)

Brokered relationships between social enterprises and private sector companies/public agencies that resulted in the following:

- A $385,000 procurement by Safeway from Ashbury Images (a social enterprise of New Door Ventures—a former REDF portfolio organization)
- A contract between Electronic Recyclers International and REDF portfolio organization St. Vincent de Paul of Alameda County;
- $2.4 million commitment from the State of California to start up a social enterprise employing parolees in Oakland (March 2011 start date);
- A $400,000 federal grant for expansion of REDF portfolio member Community Housing Partnership's social enterprise
- Ongoing exploration of procurement potential with real estate companies; health care companies; educational institutions; and other private companies.

REDF invested considerable time and resources into expanding the management capacity of social enterprise leaders. One key way this was accomplished was through REDF's signature Farber Program which deployed MBA interns in each portfolio organization during the summer of 2010.

REDF's 2010 Benefit and Social Enterprise Expo was a sold-out success with more than 400 guests gathered to honor Secretary Matthew Cate of the California Department of Corrections and Rehabilitation and philanthropists Mitch and Freada Kapor who all received the inaugural REDF 2010 Inno+prise. With the generous support of corporate sponsors, Host Committee members, and many event guests, REDF raised $136,000 to support its job creation efforts in California.

We invite you to learn more about REDF on our website at http://www.redf.org.

Note 2 - Summary of Significant Accounting Policies

(a) Accrual Basis - The financial statements have been prepared on the accrual basis. Certain prior-year accounts have been reclassified for comparative purposes to conform with the current-year presentation.

(b) Basis of Presentation - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by the actions of the organization and/or the passage of time.

(c) Accounting For Restricted Support - Gifts of cash and other assets are reported as restricted support if they are received with a donor stipulation that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(d) Expenses – Salaries and non-salary administrative costs are allocated to program and supporting services based on management's estimate of the time worked in various program and supporting services. Prior year expenses were reclassified in order to conform to the current year financial statements presentation.

(e) Cash and Cash Equivalents - For the purpose of the statement of cash flows, cash and cash equivalents include funds in demand deposit accounts, short term and highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents and certificates of deposit as of December 31, 2010 included accounts at a financial institution covered by $250,000 of FDIC insurance.

(f) Equipment and Furniture – Equipment and furniture are stated at cost if purchased and fair value if acquired through donation. Depreciation is calculated using the straight-line method of depreciation over the estimated useful lives of the assets.

(g) Estimates – The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) Income Tax Status - The organization is exempt from Federal and State income tax under the Internal Revenue Code as a Public Charity and under the California Revenue and Taxation Code, whereby only any unrelated business income is subject to Federal and State income tax. Management believes the organization continues to qualify and to operate as a tax-exempt organization.

(i) Conditional Promises – Conditional promises are recognized as receivables and revenue only when the conditions on which they depend are substantially met and the promises become unconditional. As of December 31, 2010 there were $2,000,000 in conditional promises subject to raising certain matching contributions.

Note 3 – Grants Receivable

Grants receivable as of December 31, 2010 consisted of the following:

Receivable in 2011	$2,268,667
Receivable in 2012 through 2015, net of $28,970 present value discounts at 1 to 2%	$1,364,363

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2010 were available for the following purposes:

General support for 2011	$2,218,667
General support for 2012 through 2015	1,364,363
Social Innovation Fund	516,453
Job creation for low-income Marin County residents	116,533
Supports for employment of social enterprise workers	10,000
	$4,226,016

Note 5 – Board Designated Net Assets

The Board of Directors has designated $1,500,000 of unrestricted net assets for Social Innovation Fund activities discussed under 2010 program accomplishments on page 7.

Note 6 – Pension Plan Contributions

REDF has a 401k plan for all employees in which it matches all employee contributions dollar for dollar up to 4% of compensation. Employer contributions were $23,776 for 2010 and $22,650 for 2009.

Note 7 – Commitments, Contingencies and Concentrations

The office lease runs through December 2012, with monthly base rent payments of $10,016 to $10,310 plus a share of tax and insurance cost escalations. Annual base rent payments will be $120,190 for 2011 and $123,725 for 2012. While REDF's Board of Directors remains a significant contributor, REDF continues to diversify its financial backing to a growing network of individual and institutional donors in order to further support programs and support its tax-exempt status. Receivables are subject to credit risk. No allowance for bad debts has been provided because management believes that all receivables are collectible in full. In the ordinary course of operations, REDF has various contractual and fiduciary obligations. Revenues include amounts collected under grants with various requirements. Management believes that REDF has complied with all requirements. Subsequent events have been evaluated through March 23, 2011.