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Cover photo (clockwise): All Good, Dan Séguin, The Common Market, Beyond Good, Masienda, Soul Fire Farm

Photo left: Paicines Ranch, credit to Dan Séguin



LETTER FROM OUR CEO

Dear Clients and Friends,

2020 was a year like no other, but through the uncertainty and challenges, we found inspiration from our community of investors, donors, enterprises, and allies. This report is just a snapshot of how RSF and our clients stepped up, shifted, and adapted last year.

In March, just as the COVID-19 crisis was taking hold in the United States, RSF met with investors and borrowers for our quarterly Community Pricing Gathering to discuss interest rates. The group recommended, and RSF's Pricing Committee agreed, to lower interest rates and set aside 0.25% to support borrowers most in need. (This 0.25% set-aside is still in place.) In addition, several generous donors helped establish a Crisis Response Fund to support social enterprises and supplement RSF's loan loss reserve, which covers potential losses. Despite the significant impact of the multiple crises, RSF's borrowers and the loan portfolio are in good shape.

RSF's donor-advised fund (DAF) clients are active philanthropists whose giving increased in response to the pandemic and the racial justice movement. We saw record contributions to RSF DAFs and record grants to nonprofits.

While the RSF DAF payout rate typically exceeds the national average (44% vs. 21% in 2019), RSF DAFs had a payout rate of 72% in 2020. We made over 2,000 grants totaling close to \$42 million, far exceeding any previous year, with 9% of the grants funding pandemic-related needs and 41% supporting racial and social justice initiatives.

For RSF, 2020 was a year of transformation. We found ourselves having to pivot and embrace change. We began implementing a strategic plan built around the thesis that we change the world by funding change makers and by helping to decouple power from money. This includes facing the realities of systemic racism, white supremacy, and extractive practices in the U.S. and the financial system. We are committed to justice, equity, diversity, and inclusion in how we work internally and in the ways we work with our clients and community. While we have made progress in these areas, we have much listening, learning, and work to do as we continue the journey.

Looking back on 2020, despite the tumult, in partnership with our clients, we were able to continue to activate money to create a more just, regenerative, and compassionate world. We are poised to grow and deepen our impact and are grateful for your continued support and engagement.

With gratitude,



Jasper J. van Brakel,
Chief Executive
Officer





CLIENT SPOTLIGHT



Deborah Frieze
DONOR

Why did you decide to open a donor-advised fund at RSF?

I opened a DAF at RSF more than a decade ago. At the time, I wasn't aware of any other organization that was thinking so progressively about how DAF capital could be invested to create impact before being allocated philanthropically. As other DAF hosts have slowly caught up, RSF has continued to innovate around both investment product and process.

How does your organization's mission align with RSF's?

My organization, the Boston Impact Initiative, modeled our integrated capital approach on what I learned from RSF. Our mission is to deploy integrated capital to close the racial wealth divide in Eastern Massachusetts. Like RSF, we recognize that we need to use every capital tool in the quiver—equity, debt, grants, and everything in between—alongside knowledge and relationship capital in order to accomplish our mission.

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If we want to address inequality, then we need to design our investing activity so that those who have the most wealth get the least amount of return, and those who have the least grow their wealth the fastest.”

How did the pandemic and racial justice crisis change your approach to investing or giving?

We already were focused on investing for racial justice. However, the past year and a half gave us the courage to ask our investors to shoulder a greater share of risk than they had before. That meant asking for recoverable grants and forgivable loans that would be repaid if our entrepreneurs did well and perhaps only partially repaid if they did poorly.

What hopes do you have for the impact investing space following the crises of 2020?

My hope is that we recognize that diversity, equity, and inclusion efforts are a necessary but insufficient response to the moment we're in. If we want to address inequality, then we need to design our investing activity so that those who have the most wealth get the least amount of return, and those who have the least grow their wealth the fastest. Our investing activity needs to be fundamentally redistributive.



Erik Schultz
INVESTOR

Why did you decide to invest with RSF?

I put my money with RSF because you offer a democratically accessible investment vehicle for financing smaller-scale private sector businesses and initiatives actively creating the more equitable and sustainable world I want to live in.

How did the pandemic and racial justice crisis change your approach to investing?

The pandemic exposed long-standing and deepening systemic racial and economic inequities that were always here but can no longer be ignored. I used to focus overwhelmingly on international investments and development initiatives, but no more can I turn away from the inequalities evident all around us here at home. I believe it is so important to financially support this new momentum behind building truer economic and racial equity.

What hopes do you have for the impact investing space following the crises of 2020?

I think there is a massive opportunity in the impact investment space now to use various forms of capital to expand real economic opportunities for communities so long denied it. Cutting to the chase, this means intentionally prioritizing investment in women and people of color as both entrepreneurs and fund leaders, and in embracing more non-extractive forms of investment, because that is how we start finally building and sharing more equitable, intergenerational wealth.

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I think there is a massive opportunity in the impact investment space now to use various forms of capital to expand real economic opportunities for communities so long denied it.”



2020 IN NUMBERS



WE RAISED
\$70
MILLION
IN INVESTOR NOTES AND GIFTS

2,055
INVESTORS AND DONORS
HELPED US PROVIDE

\$60
MILLION
IN LOANS AND GRANTS

OVER
100
FELLOWS
HAVE PARTICIPATED IN
THE INTEGRATED CAPITAL
INSTITUTE PROGRAM

WE ENDED 2020 WITH
\$247
MILLION
IN ASSETS UNDER
MANAGEMENT



Photo top left: Courtesy of The Common Market.
Photo bottom right: Credit Dan Séguin.



CLIENT SPOTLIGHT: SOCIAL ENTERPRISES



The Common Market

The Common Market is a nonprofit regional food distributor with a mission to connect communities with good food from sustainable family farms. It strives to improve food security, farm viability, and community and ecological health. Currently operating in the Mid-Atlantic, the Southeast, and Texas, The Common Market is expanding to other U.S. regions to build a nation of vibrant regional food systems where interdependent urban and rural communities thrive through relationships that strengthen the health and wealth of all people. When COVID-19 hit, they recognized that their infrastructure built to move food from local farms to institutions could be leveraged to bring high-quality, local food to communities most impacted by the pandemic, particularly the elderly and communities of color.

THECOMMONMARKET.ORG

Drive Change

Drive Change (DC) provides job training and employment to young people coming home after incarceration. Their mission is to foster an environment for returning citizens to learn the skills required to succeed in the food service industry and to become leaders in their community. DC runs a paid fellowship for these 18- to 25-year olds and works closely with business owners



to build just work environments and to support employee retention—a bilateral model that deepens impact. When the restaurant industry in NYC shut down due to COVID-19, many fellows who had been hired by restaurant partners were laid off. DC and the fellow network established a mutual aid fund to help their community meet essential needs. Looking ahead, the pandemic has inspired DC to expand their focus beyond the restaurant industry to ensure greater resilience for the fellows in their program. They're currently running remote Hospitality for Social Justice Trainings for businesses that want to take this opportunity to reopen and rebuild from a foundation of social justice.

DRIVECHANGENYC.ORG

(CONTINUES ON P 8)

“Our partnership with RSF is a symbiotic relationship built on mutual trust and respect. Together, we empower each other to achieve our mission.”

SHANNON CALLAHAN
PRESIDENT OF THE BOARD, URBAN
PRAIRIE WALDORF SCHOOL

Urban Prairie Waldorf School

Urban Prairie is an independent Waldorf school located in Chicago. The school educates children by awakening a love of learning, encouraging reverence and wonder in the world, and nurturing the capacity to impart purpose and direction in their lives. The curriculum is developmentally engaging, meets the here and now, and prepares students for an ever-changing future. During the pandemic school year, Urban Prairie kept a flexible outlook and pivoted to offer both onsite and remote learning programs. The students experienced a tech-enhanced curriculum that brought guest speakers from around the world into their learning space and even resulted in a film shoot and movie premier by the 6th grade class. Meanwhile, despite the coldest, snowiest winter on record in more than a decade, Urban Prairie's Early Childhood program proved that even the youngest urban children can weather the weather and spend their days playing and learning together outside.

URBANPRAIRIE.ORG





Soul Fire Farm

Soul Fire Farm seeks to end racism and injustice in the food system. The 80-acre farming enterprise near Albany, New York, embraces this mission by using—and teaching—regenerative Afro-indigenous farming methods; empowering farmers who are Black, Indigenous, and people of color; addressing the lack of access to fresh food in impoverished neighborhoods; and advocating for land reparations.

Soul Fire has been able to do its work with the help of grants from RSF's donor-advised funds. The grants have enabled the enterprise to train hundreds of aspiring Black and Brown farmers and to incubate the Braiding Seeds Fellowship, a collaboration with the Federation of Southern Cooperatives that provides beginning farmers with resources, professional development, and mentorship to support their livelihood on land and their future as the next generation of BIPOC farmers.

SOULFIREFARM.ORG

Something Better Foods

Something Better Foods is a Black-owned food manufacturing company offering a suite of plant-based proteins sold under the Better Chew brand. Their plant-based meat mimics the main ingredient in America's most popular comfort and ethnic foods and include beef, chicken, and seafood. The COVID-19 pandemic impacted the health of minorities living in underserved communities the most, as members of these communities don't have the same level of access to healthy, nutritious food. The business, started by entrepreneur and restaurateur Chef GW Chew, has a mission to change lives for the better one "chew" at a time by democratizing the access to healthy, plant-based food and making it accessible to all people! RSF provided equipment financing through the Food & Agriculture Collaborative alongside Community Vision and Third Creek Ventures.

SOMETHINGBETTERFOODS.COM





Money Transforms

So often, we're told that the highest and best use of our money is for it to make more money for us; that our accounts and investments should always be growing, and that we should leave the details of how it grows to our advisors. Do you ever wonder what it's doing? Who it's helping? Who it's harming? And how it can be used differently?

Along with Do Good Better and Ruben DeLuna Creative, RSF produced a video, Transform Your Money, to inspire more people to activate more of their money—through investing, banking, giving, and spending—in ways that align with their values.

Collaborators and thought leaders helped sort out video concepts, and several of RSF's Integrated Capital Institute Fellows shaped the resources available to help people imagine ways to use their money for good.

To view the resources and watch the video, please visit moneytransforms.com

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Wealth and power are meant to be shared for our collective good. So much of the way we've structured ourselves as a society has been centered on this misconception that our money is the thing that will keep us safe. Actually it's our deep relationships and communities that will keep us safe.

~ Nwamaka Agbo, Kataly



Integrated Capital Institute

RSF created the Integrated Capital Institute in 2017 to train a diverse group of financial advisors, investors, foundation leaders, and community organizers to challenge assumptions about money, collaborate effectively, and apply an integrated capital approach to systemic problems. Through 2020, the ICI has supported over 100 fellows, two-thirds of them women, varying in age, ethnicity, location, and economic background.

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Humans have used money wrongfully. We've made money more important than human life. We've allowed it to divide us. We forget that we gave money its meaning and its power.

~ Edgar Villanueva



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2020	2019	2018
<i>Dollars in thousands</i>			
ASSETS			
Cash and cash equivalents	\$ 44,025	\$ 33,178	\$ 23,033
Mission-related loans and investments			
Loans receivable, net of allowance	102,238	115,192	130,359
Investments	99,706	86,057	70,515
Prepaid expenses and other assets	1,499	2,029	2,007
TOTAL ASSETS	\$ 247,468	\$ 236,456	\$ 225,914
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,981	\$ 1,474	\$ 906
Investor notes payable	138,294	131,431	129,265
Other notes payable	3,982	13,494	8,105
TOTAL LIABILITIES	\$ 144,257	\$ 146,399	\$ 138,276
NET ASSETS			
Net assets without donor restrictions	\$ 102,630	\$ 89,907	\$ 87,488
Net assets with donor restrictions	582	150	150
TOTAL NET ASSETS	\$ 103,212	\$ 90,057	\$ 87,638
TOTAL LIABILITIES AND NET ASSETS	\$ 247,468	\$ 236,456	\$ 225,914



FINANCIALS

CONSOLIDATED STATEMENTS OF ACTIVITIES & CHANGES IN NET ASSETS

	2020	2019	2018
<i>Dollars in thousands</i>			
REVENUES			
REVENUES, GAINS, AND OTHER SUPPORT*			
Management and other fee income	\$ 1,359	\$ 1,009	\$ 685
Interest and investment income, net	7,519	8,198	8,196
Gifts and contributions	58,174	34,492	29,361
Program revenue	307	295	231
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 67,359	\$ 43,994	\$ 38,473
EXPENSES			
PROGRAM SERVICES			
Interest expense on investor funds	\$ 1,130	\$ 1,940	\$ 1,411
Loan loss provision	1,838	1,167	1,016
Grants made to programs	35,589	21,842	17,014
Other projects and program expenses	1,546	2,290	2,423
Personnel costs	5,036	4,612	3,044
TOTAL PROGRAM SERVICES	\$ 45,139	\$ 31,851	\$ 24,908
SUPPORTING SERVICES			
Management and general expenses	9,065	9,724	8,421
TOTAL EXPENSES	\$ 54,205	\$ 41,575	\$ 33,329
CHANGES IN NET ASSETS	13,155	2,419	5,144
NET ASSETS AT BEGINNING OF YEAR	90,057	87,638	82,494
NET ASSETS AT END OF YEAR	\$ 103,212	\$ 90,057	\$ 87,638

* RSF earned additional revenues through fee income from its philanthropic services. Following GAAP standards, we do not show this income in our financial statement because of its classification as intracompany transfers.

