Report of Independent Auditors and
Consolidated Financial Statements

RSF Social Finance, Inc. and Affiliates

December 31, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
RSF Social Finance, Inc. and Affiliates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RSF Social Finance, Inc. and Affiliates ("RSF"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RSF Social Finance, Inc. and Affiliates as of December 31, 2022 and 2021, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RSF Social Finance, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RSF Social Finance, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RSF Social Finance, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RSF Social Finance, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

San Francisco, California
June 2, 2023

Consolidated Financial Statements

RSF Social Finance, Inc. and Affiliates
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 47,263,070	$ 54,153,844
Mission-related loans and investments:		
Loans receivable, net of allowance for loan losses of $5,981,965 and $6,181,426 as of December 31, 2022 and 2021, respectively	89,384,811	88,709,426
Investments, fair value	76,309,688	85,408,949
Investments, held at cost	7,050,665	10,913,211
Prepaid expenses and other assets	1,070,207	1,025,600
Total assets	$ 221,078,441	$ 240,211,030
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 2,441,318	$ 4,007,104
Investor notes payable	118,297,137	125,260,696
Other notes payable	8,000,000	8,000,000
Total liabilities	128,738,455	137,267,800
NET ASSETS		
Net assets without donor restrictions:		
Board designated operating reserve account	-	2,852,743
Undesignated net assets without donor restrictions	92,055,811	99,781,834
Total net assets without donor restrictions	92,055,811	102,634,577
Net assets with donor restrictions	284,175	308,653
Total net assets	92,339,986	102,943,230
Total liabilities and net assets	$ 221,078,441	$ 240,211,030

See accompanying notes.

RSF Social Finance, Inc. and Affiliates
Consolidated Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Management and other fee income	$ 793,005	$ -	$ 793,005
Net interest income and investment return:			
Interest income - loans receivable	4,941,852	-	4,941,852
Investment loss, net	(2,626,840)	-	(2,626,840)
Net interest income and investment return	2,315,012	-	2,315,012
Gifts and contributions	34,848,527	-	34,848,527
Program revenue	13,525	-	13,525
Net assets released from restrictions	24,478	(24,478)	-
Total revenues and other support	37,994,547	(24,478)	37,970,069
EXPENSES			
Program services	42,088,917	-	42,088,917
Management and general	6,484,396	-	6,484,396
Total expenses	48,573,313	-	48,573,313
CHANGE IN NET ASSETS	(10,578,766)	(24,478)	(10,603,244)
NET ASSETS, beginning of year	102,634,577	308,653	102,943,230
NET ASSETS, end of year	$ 92,055,811	$ 284,175	$ 92,339,986

See accompanying notes.

RSF Social Finance, Inc. and Affiliates
Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Management and other fee income	$ 2,068,281	$ -	$ 2,068,281
Net interest and investment income:			
Interest income - loans receivable	5,973,276	-	5,973,276
Investment income, net	183,097	-	183,097
Net interest and investment income	6,156,373	-	6,156,373
Gifts and contributions	45,808,246	-	45,808,246
Program revenue	165,511	-	165,511
Net assets released from restrictions	273,452	(273,452)	-
Total revenues and other support	54,471,863	(273,452)	54,198,411
EXPENSES			
Program services	47,864,983	-	47,864,983
Management and general	6,602,129	-	6,602,129
Total expenses	54,467,112	-	54,467,112
CHANGE IN NET ASSETS	4,751	(273,452)	(268,701)
NET ASSETS, beginning of year	102,629,826	582,105	103,211,931
NET ASSETS, end of year	$ 102,634,577	$ 308,653	$ 102,943,230

See accompanying notes.

RSF Social Finance, Inc. and Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022 Program Expenses					
	Lending Program	Investor Notes Program	Integrated Capital Initiative Program	Total Program Expenses	Management and General Expenses	Total
Grants made to programs	$ 28,665,204	$ 8,382,881	$ -	$ 37,048,085	$ 5,002,274	$ 42,050,359
Interest expense on investor notes	-	498,336	-	498,336	-	498,336
Loan loss recovery	(161,953)	-	-	(161,953)	-	(161,953)
Personnel costs	2,520,353	738,724	-	3,259,077	1,086,359	4,345,436
Consultants	58,948	64,843	-	123,791	170,951	294,742
Legal, accounting, and audit expenses	439,225	95,728	-	534,953	28,155	563,108
Travel expenses	17,773	6,742	-	24,515	6,129	30,644
Marketing expenses	82,925	31,454	-	114,379	28,595	142,974
Other expenses	469,607	178,127	-	647,734	161,933	809,667
Total functional expenses	$ 32,092,082	$ 9,996,835	$ -	$ 42,088,917	$ 6,484,396	$ 48,573,313

	2021 Program Expenses					
	Lending Program	Investor Notes Program	Integrated Capital Initiative Program	Total Program Expenses	Management and General Expenses	Total
Grants made to programs	$ 32,268,093	$ 9,267,091	$ -	$ 41,535,184	$ 5,134,348	$ 46,669,532
Interest expense on investor notes	-	975,689	-	975,689	-	975,689
Loan loss provision	385,598	-	-	385,598	-	385,598
Personnel costs	2,573,943	754,432	-	3,328,375	1,109,458	4,437,833
Consultants	80,835	88,919	131,723	301,477	102,700	404,177
Legal, accounting, and						-
audit expenses	328,813	71,664	-	400,477	21,078	421,555
Travel expenses	2,289	868	-	3,157	789	3,946
Marketing expenses	84,652	32,109	-	116,761	29,190	145,951
Other expenses	593,242	225,023	-	818,265	204,566	1,022,831
Total functional expenses	$ 36,317,465	$ 11,415,795	$ 131,723	$ 47,864,983	$ 6,602,129	$ 54,467,112

See accompanying notes.

RSF Social Finance, Inc. and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (10,603,244)	$ (268,701)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
(Recovery of) provision for loan losses	(161,953)	385,598
Realized and unrealized loss (gain) on investments	2,626,840	(183,097)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(44,607)	40,891
Accounts payable and accrued expenses	(1,565,786)	2,025,900
Net cash (used in) provided by operating activities	(9,748,750)	2,000,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of loans receivable	(26,338,464)	(14,278,702)
Collections of loans receivable	25,825,032	27,421,332
Purchase of investments	(344,476)	(4,126,462)
Proceeds from sale or maturity of investments and distributions	10,679,443	8,126,962
Net cash provided by investing activities	9,821,535	17,143,130
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on investor notes payable	(13,716,966)	(27,933,615)
Borrowings on investor notes payable	6,753,407	14,900,640
Borrowings on other notes payable	-	8,077,627
Principal payments on other notes payable	-	(4,059,434)
Net cash used in financing activities	(6,963,559)	(9,014,782)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(6,890,774)	10,128,939
CASH AND CASH EQUIVALENTS, beginning of year	54,153,844	44,024,905
CASH AND CASH EQUIVALENTS, end of year	$ 47,263,070	$ 54,153,844
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	$ 589,185	$ 1,260,705
Income taxes	$ 55,932	$ 72,238

See accompanying notes.

Note 1 – Organization

RSF Social Finance was incorporated in 1936. As a not-for-profit financial intermediary, RSF Social Finance and its affiliates ("RSF") create impact by funding social enterprises that contribute to a more just, regenerative, and compassionate world. 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 food and agriculture, education and the arts, and climate and environment. RSF has over 2,000 clients who are creating a deeply positive impact by helping to redirect the flow of money to catalytic initiatives and organizations, and to support communities often damaged by exploitation and resource depletion. RSF has two primary programs to support its charitable mission: lending to social enterprises funded by its Social Investment Fund ("SIF") and philanthropic giving and impact investing through donor advised fund accounts and various field of interest funds that flow capital to social enterprises.

Effective March 3, 2022, RSF changed its name from Rudolf Steiner Foundation, Inc. to RSF Social Finance, Inc.

SIF Investor Notes Program – RSF offers individuals and organizations the ability to invest in unsecured notes as part of the SIF 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 6).

Lending program – Proceeds from the SIF 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 climate and environment. Borrowers are evaluated on factors such as creditworthiness, social mission, supplier and customer practices, community engagement, and environmental regeneration (see Note 3).

Integrated capital initiative program – Proceeds from the SIF 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 nonfinancial resources (e.g., grants, guaranties, equity investments, and connecting borrowers to mission-aligned partners in their respective fields of operations).

Note 2 – Summary of Significant Accounting Policies

Principles of consolidation – In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, these consolidated financial statements include the accounts of SIF and RSF Capital Management, PBC ("CMP"). RSF appoints the majority of the directors of SIF and CMP and has an economic interest in these entities. All 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 ("U.S. GAAP").

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 $0 as of December 31, 2022 and $2,852,743 as of December 31, 2021. 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 $284,175 and $308,653 as of December 31, 2022 and 2021, respectively.

Use of estimates – In preparing consolidated financial statements in conformity with U.S. GAAP, 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.

Mission-related loans receivable – These consist of mission-related loans made by RSF to nonprofit and for-profit organizations. The loans are generally collateralized by mortgages, business assets, guaranties, and pledges from individuals and 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 is categorized by type for disclosure purposes, management believes that each category has a similar risk of repayment (see Note 3).

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-off, 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 the 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: ASC 310-10, *Receivables—Overall*; and

2. General allowances for pools of loans: ASC 450-20, *Contingencies—Loss Contingencies*, 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.

Nonaccrual loans – Generally, loans are placed on nonaccrual 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.

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

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 six-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.

All loans with a delinquent status of 90 days are classified as substandard and placed on nonaccrual status.

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 written off when it is deemed to be uncollectible. Collateral dependent loans are written down to the fair value of the collateral and noncollateral-dependent loans are written 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, and 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.

Mission-related investments – Mission-related investments are investments in which RSF intends to generate a social return as well as a financial return. Such investments are related to, and further RSF's programmatic mission. Mission-related investments are included in investments, at fair value and investments, held at cost on the consolidated statements of financial position (see Note 4).

Investments, fair value – 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 return derived from investments are accounted for as with or without donor-imposed restrictions based on restrictions, if any, in the accompanying consolidated statements of activities.

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 ("NAV") 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, net of investment expense, is reported in the consolidated statements of activities. Investment return is reported as an increase in net assets with or without donor restrictions, unless there are donor-imposed restrictions on the use of the income.

Investments, held at cost – These represent notes and closely-held stock. In accordance with Accounting Standards Update ("ASU") 2016-01, where the fair value of an investment in equity securities is not readily determinable, RSF uses the measurement alternative of cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. 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, 2022 and 2021, no such write-downs have occurred.

Fair value measurements – 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.

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 nonrecurring 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. Nonreal 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.

Corporate securities – In May 2022, RSF's holdings of Freshlocal Solutions were fully written off after having a discussion with their management and their subsequent filing for the Canadian equivalent of Bankruptcy. This resulted in a realized loss of $1,500,724 recorded in investment loss, net on the consolidated statements of activities. In 2021, RSF's valuation of Freshlocal Solutions (previously known as Sustainable Produce Urban Delivery, Inc. or SPUD) common stock used the publicly available market price for their ticker (LOCL.TO) to calculate the value of shares held. Freshlocal Solutions had an initial public offering ("IPO") on April 21, 2021. No shares were sold during the year ended December 31, 2021. The method used to value the common stock prior to their IPO was a market approach method that derived the fair value by reference to observable and unobservable valuation measures for comparable companies or assets such as performance metrics and last round of financing subject to a 40-50% liquidity discount.

Investments are reported at fair value based on quoted market price. Net appreciation (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, net of investment expenses, is reported in the statements of activities. Investment return is reported as an increase (decrease) in net assets without donor restrictions, unless there are donor-imposed restrictions on the use of the income.

Prepaid expenses – 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.

Notes payable – 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.

Revenue recognition – RSF records certain revenue from contracts with customers in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Under ASC 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.

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 ASC 606. RSF used the following methods to recognize revenue:

Management and other fee income – RSF earns management fees from 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.

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 statements of activities is 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 ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Program revenue – Program revenue primarily consists of grant revenue. Grant revenues are recognized as net assets without donor restrictions as services are recognized in accordance with Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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.

Unconditional 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.

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, 2022 and 2021, the base rates in place were 4.50% and 4.75%, respectively.

Grants made – Grants are recognized when all significant conditions are met by grantees, all due diligence has been completed, and they are approved by management. Conditional grants are expensed and considered payable only in the period the conditions are substantially satisfied. There were no conditional grants for the years ended December 31, 2022 and 2021.

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.

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.

CMP pays 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.

U.S. GAAP 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, 2022 and 2021.

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, 2022 and 2021. RSF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Reclassifications – Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year change in net assets or net assets.

Recent accounting pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). 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 statements of activities and a related allowance for credit losses on the consolidated statements 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. 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. 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 net assets 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 loans over their respective terms. RSF adopted this ASU as of January 1, 2023 and is currently evaluating the impact on its consolidated financial position and statement of activities.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard establishes a right-of-use (ROU) model that requires a lessee to recognize an ROU asset and a lease liability on the statement of financial position for all leases with lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. RSF adopted this new lease standard on January 1, 2022, using a modified retrospective transition, with the cumulative-effect adjustment to the opening balance of net assets as of the effective date (the "effective date method"). Under the effective date method, financial results reported in periods prior to 2022 are unchanged. RSF also elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed RSF to carry forward the historical lease classification. RSF did not have any leases within the scope of Topic 842 and therefore adoption of this standard did not have a material impact on the consolidated financial statements.

Note 3 – Loans Receivable, Net

As of December 31, 2022 and 2021, RSF's total loans receivable is summarized by loan category in the following table:

	2022	2021
Education and the arts	$ 55,343,340	$ 52,416,871
Food and agriculture	26,802,209	30,618,117
Climate and environment	13,221,227	11,855,864
	95,366,776	94,890,852
Less: allowance for loan losses	(5,981,965)	(6,181,426)
Total loans receivable	$ 89,384,811	$ 88,709,426

RSF extends credit to organizations that are mission related. Interest rates on newly originated loans ranged from 3.05% to 8.10% during 2022, and from 4.75% to 7.25% during 2021. RSF performs ongoing credit evaluations of borrowers, maintaining allowances for potential credit losses, when appropriate.

For certain extensions of credit, RSF may require collateral, based on its assessment of a borrower's credit risk. RSF holds various types of collateral, including real estate, accounts receivable, inventory, equipment, guaranties, 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, 2022 and 2021, the contractual amount of the unfunded credit commitments was approximately $9,770,000 and $12,988,000, respectively.

Investors have the option to enter into a limited guaranty agreement with RSF whereby the investor noteholder pledges their investor note to cover potential loan losses in a specific focus area within the portfolio. In 2022 and 2021, RSF had in place approximately $2,656,000 and $5,293,000, respectively, in limited guaranties 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, 2022 and 2021:

	2022	2021
Balance, beginning of year	$ 6,181,426	$ 5,643,940
(Recovery of) provision for loan losses	(161,953)	385,598
(Charge-off) recoveries, net	(37,508)	151,888
Balance, end of year	$ 5,981,965	$ 6,181,426
Allowance for loan losses individually evaluated for impairment:		
Education and the arts	$ 1,710,186	$ 1,870,848
Food and agriculture	-	365,531
Climate and environment	-	115,320
Total	$ 1,710,186	$ 2,351,699
Allowance for loan losses collectively evaluated for impairment:		
Education and the arts	$ 4,271,779	$ 3,829,727
Total	$ 5,981,965	$ 6,181,426

As of December 31, 2022 and 2021, 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.

	2022				
	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	$ 7,254,551	$ 9,097,743	$ -	$ 7,575,043	$ 427,315
Food and agriculture	-	-	-	-	-
Climate and environment	-	-	-	-	-
Total	$ 7,254,551	$ 9,097,743	$ -	$ 7,575,043	$ 427,315
With an allowance recorded:					
Education and the arts	$ 4,693,186	$ 4,693,186	$ 1,710,186	$ 4,773,516	$ 210,730
Food and agriculture	-	-	-	-	-
Climate and environment	-	-	-	-	-
Total	$ 4,693,186	$ 4,693,186	$ 1,710,186	$ 4,773,516	$ 210,730
Total	$ 11,947,737	$ 13,790,929	$ 1,710,186	$ 12,348,559	$ 638,045

	2021				
	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	$ 7,885,947	$ 9,607,453	$ -	$ 9,805,268	$ 501,558
Food and agriculture	-	-	-	-	-
Climate and environment	166,231	166,231	-	173,377	-
Total	$ 8,052,178	$ 9,773,684	$ -	$ 9,978,645	$ 501,558
With an allowance recorded:					
Education and the arts	$ 4,853,848	$ 4,755,025	$ 1,870,848	$ 4,821,472	$ 230,327
Food and agriculture	505,793	507,960	365,531	507,793	23,629
Climate and environment	436,505	434,038	115,320	533,982	47,334
Total	$ 5,796,146	$ 5,697,023	$ 2,351,699	$ 5,863,247	$ 301,290
Total	$ 13,848,324	$ 15,470,707	$ 2,351,699	$ 18,009,995	$ 802,848

Impaired loans are recorded at the lower of cost or fair value. The tables below present the balances of impaired loans measured at fair value at December 31, 2022 and 2021, on a nonrecurring basis:

	2022			
	Total	Level 1	Level 2	Level 3
Education and the arts	$ 2,983,000	$ -	$ -	$ 2,983,000
Food and agriculture	-	-	-	-
Climate and environment	-	-	-	-
Total	$ 2,983,000	$ -	$ -	$ 2,983,000

	2021			
	Total	Level 1	Level 2	Level 3
Education and the arts	$ 2,983,000	$ -	$ -	$ 2,983,000
Food and agriculture	140,262	-	-	140,262
Climate and environment	321,185	-	-	321,185
Total	$ 3,444,447	$ -	$ -	$ 3,444,447

The following table presents loans by class, modified as troubled debt restructurings that occurred during the years ended December 31, 2022 and 2021:

	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
December 31, 2022:			
Food and agriculture	5	$ 3,845,108	$ 3,845,108
December 31, 2021:			
Food and agriculture	6	$ 4,456,020	$ 4,456,020
Climate and environment	2	$ 436,505	$ 436,505

The modifications of loan terms during the years ended December 31, 2022 and 2021, included lowering principal and interest payments and payment deferrals.

There were no troubled debt restructurings for which there was a payment default within 12 months following the modification during the years ended December 31, 2022 and 2021.

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. The concentration of loans to schools was approximately 25% and 35% at December 31, 2022 and 2021, 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 tables show the gross loan portfolio allocated by management's internal risk ratings at December 31, 2022 and 2021:

	2022			
	Credit Risk Profile by Internally Assigned Grade			
	Education and the Arts	Food and Agriculture	Climate and Environment	Total
Grade:				
Pass	$ 34,608,573	$ 23,764,778	$ 13,071,162	$ 71,444,513
Watch list/special mention	12,971,443	3,037,431	150,065	16,158,939
Substandard	3,070,138	-	-	3,070,138
Doubtful	4,693,186	-	-	4,693,186
Total	$ 55,343,340	$ 26,802,209	$ 13,221,227	$ 95,366,776

	2021			
	Credit Risk Profile by Internally Assigned Grade			
	Education and the Arts	Food and Agriculture	Climate and Environment	Total
Grade:				
Pass	$ 27,354,594	$ 22,383,992	$ 11,253,128	$ 60,991,714
Watch list/special mention	15,865,148	7,728,332	166,231	23,759,711
Substandard	2,168,277	-	-	2,168,277
Doubtful	7,028,852	505,793	436,505	7,971,150
Total	$ 52,416,871	$ 30,618,117	$ 11,855,864	$ 94,890,852

The following tables show an aging analysis of the loan portfolio by the time past due at December 31, 2022 and 2021:

	2022				
	30–89 Days Past Due	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
Education and the arts	$ 6,000	$ 1,387,318	$ 1,393,318	$ 53,950,022	$ 55,343,340
Food and agriculture	930	-	930	26,801,279	26,802,209
Climate and environment	-	-	-	13,221,227	13,221,227
Total	$ 6,930	$ 1,387,318	$ 1,394,248	$ 93,972,528	$ 95,366,776

	2021				
	30–89 Days Past Due	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
Education and the arts	$ -	$ 1,587,547	$ 1,587,547	$ 50,829,324	$ 52,416,871
Food and agriculture	-	-	-	29,632,633	29,632,633
Climate and environment	-	-	-	11,574,781	11,574,781
Total	$ -	$ 1,587,547	$ 1,587,547	$ 92,036,738	$ 93,624,285

Note 4 – Investments and Fair Value Measurement

The tables below present the balances of assets measured at fair value at December 31, 2022 and 2021 on a recurring basis:

	2022				
	Total	Level 1	Level 2	Level 3	Net Asset Value
Cash and cash equivalents	$ 64,769,989	$ 64,769,989	$ -	$ -	$ -
Corporate securities	1,525,420	1,525,420	-	-	-
Investments, held at NAV:					
Private debt funds	5,532,979	-	-	-	5,532,979
Private equity funds	4,481,300	-	-	-	4,481,300
Total	$ 76,309,688	$ 66,295,409	$ -	$ -	$ 10,014,279

	2021				
	Total	Level 1	Level 2	Level 3	Net Asset Value
Cash and cash equivalents	$ 69,408,584	$ 69,408,584	$ -	$ -	$ -
Corporate securities	5,535,590	5,535,590	-	-	-
Investments, held at NAV:					
Private debt funds	5,440,771	-	-	-	5,440,771
Private equity funds	5,024,004	-	-	-	5,024,004
Total	$ 85,408,949	$ 74,944,174	$ -	$ -	$ 10,464,775

RSF manages mission-related investments, excluding loans receivable, according to the RSF 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.

During the year ended December 31, 2021, $3,219,511 of corporate securities transferred out of Level 3 to Level 1. Prior to the write-off of Freshlocal Solutions in May of 2022, RSF held the security, which had an IPO on April 21, 2021, and the valuation method was based on quoted prices in active markets for identical assets (see Note 2).

Investments held at NAV 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 NAV 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, 2022, for which fair value is based on NAV is as follows:

	Fair Value	Unfunded Commitments
Private Debt Funds	$ 5,532,979	$ -
Private Equity Funds	4,481,300	651,914
Total	$ 10,014,279	$ 651,914

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 50% of these positions have monthly liquidity with a 30-day redemption notice period required, or shorter. 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 NAVs 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.

Note 5 – Liquidity and Funds Available

The following table reflects RSF's financial assets as of December 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 47,263,070	$ 54,153,844
Mission-related loans and investments:		
Loans receivable, net of allowance for loan losses	89,384,811	88,709,426
Investments, fair value	76,309,688	85,408,949
Investments, held at cost	7,050,665	10,913,211
Total financial assets	220,008,234	239,185,430
Less those unavailable for general expenditure within one year, due to:		
Principal receivable from loans after December 31,	68,174,770	67,049,099
Illiquid investments, fair value	76,309,688	85,408,949
Illiquid investments, held at cost	7,050,665	10,913,211
Board designated operating reserve account	-	2,852,743
Net assets with donor restrictions	284,175	308,653
Financial assets available to meet cash needs for general expenditures within one year	$ 68,188,936	$ 72,652,775

Illiquid investments in the table above are donor advised funds and are not available for general expenditures.

In addition to the financial assets available in the table above, RSF had approximately $2,656,000 in limited loan guaranties as of December 31, 2022. Management structures RSF's 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 6 – Notes Payable

Investor notes payable – Investor notes payable consist of funds received by RSF from individuals, organizations, and/or corporations that would like to support mission-related projects.

Investor notes payable are unsecured and carried at historical cost, which includes the total value of the principal investments plus accrued interest.

At December 31, 2022 and 2021, RSF had investor notes payable totaling $118,297,137 and $125,260,696, respectively, with effective interest rates of 0.25%. On 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 receives a request from the investors for repayment before the maturity date. RSF management observes that the average term of an active investor is 10.6 years and that over the past three years only an average of 12% 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 to RSF.

Other notes payable – Other notes payable consists of unsecured notes with maturities greater than one year. Other notes payable comprised the following notes for the years ended December 31, 2022 and 2021. All unpaid principal balance and accrued interest are due upon maturity.

Issued	Original Principal Amount	Maturity Date	Interest Rate	Outstanding Balance, December 31, 2022	2021
December 2016	$ 8,000,000	December 2026	1.00%	$ 8,000,000	$ 8,000,000

Other notes payable is unsecured and carried at historical cost, which includes the total value of the principal investments plus accrued interest.

Note 7 – Income Taxes

Income taxes pertaining to CMP for December 31, 2022 and 2021, 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 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, 2022 and 2021:

	2022	2021
Current:		
Federal	$ -	$ -
State	800	800
Total current tax provision	800	800
Deferred:		
Federal	-	-
State	(800)	-
Total deferred tax benefit	(800)	-
Change in valuation allowance	-	(800)
Provision for income taxes	$ 800	$ 800

Deferred tax assets (liabilities) are comprised of the following at December 31, 2022 and 2021:

	2022	2021
Deferred tax assets:		
Net operating losses	$ 693,000	$ 693,000
Gross deferred tax assets	693,000	693,000
Valuation allowance	-	-
Total deferred tax assets	693,000	693,000
Deferred tax liabilities	(693,000)	(693,000)
Total deferred tax assets	$ -	$ -

At December 31, 2022 and 2021, CMP had $2,492,355 and $2,490,755 of federal net operating loss carryforwards, respectively. At December 31, 2022 and 2021, CMP had $2,428,332 of state net operating loss carryforwards. 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 from 2018 to 2021.

Certain activities not directly related to RSF 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, 2022 and 2021, federal and state income taxes on unrelated business income were not material.

Note 8 – 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, 2022 and 2021, net assets without donor restrictions consist of the following board-designated reserves:

	2022	2021
Board-designated operating reserve account	$ -	$ 2,852,743

Contributions received by RSF with restrictions are related to donor-imposed time or purpose restrictions. As of December 31, 2022 and 2021, net assets with donor restrictions consist of the following:

	2022	2021
Donor-restricted funds for RSF Shared Risk Program	$ 50,000	$ 50,000
Donor-restricted funds for RSF Revolving Capital Permanent Fund	100,000	100,000
Donor-restricted funds for Crisis Response Fund	-	24,478
Other donor-restricted funds	134,175	134,175
Total	$ 284,175	$ 308,653

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

Net assets released from donor restrictions were $24,478 and $273,452 for the years ended December 31, 2022 and 2021, respectively.

Note 9 – Commitments

As of December 31, 2022, RSF has the following commitments:

Lease and membership agreement – RSF leased an office facility in San Francisco, California under a noncancelable operating lease through May 2021. In addition to minimum rental payments, the lease agreement provided for percentage rents based on tenant operating expenses exceeding stated amounts. In May 2021 RSF entered into a one-year membership agreement for shared office space in San Francisco, California. In May 2022 RSF entered into a new one-year membership agreement for shared office space at the same location. The membership agreement expires April 2023 and RSF does not intend to renew the membership.

The related expense under the membership agreements for the years ended December 31, 2022 and 2021 was $77,065 and $61,595, respectively.

Note 10 – 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 two deposit accounts with Amalgamated Bank. Mark Finser, RSF former Board Member and former RSF Board Chair, with his term ending in 2018, is a director of Amalgamated Bank. The balances of the accounts were approximately $5,029,000 and $5,018,000 at December 31, 2022 and 2021, 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, nonrecourse $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 nonrecourse 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 $762,306 and $818,760 as of December 31, 2022 and 2021, respectively, and is included in prepaid expense and other assets on the consolidated statements of financial position.

Note 11 – 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 $2,500 per employee for the years ended December 31, 2022 and 2021. For the years ended December 31, 2022 and 2021, RSF contributed approximately $33,000 and $46,000, respectively, to the retirement plan.

Note 12 – Risks and Uncertainties

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. 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.

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 noninterest bearing cash accounts at all FDIC-insured financial institutions and/or by the Securities Investor Protection Corporation ("SIPC") as of December 31, 2022 and 2021. At various times during 2022 and 2021, 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.

As of the years ended December 31, 2022 and 2021, RSF's cash and cash equivalent balances with two financial institutions comprised 95% and 100% of total cash and cash equivalents, respectively.

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.

RSF evaluated subsequent events through June 2, 2023, the date the consolidated financial statements were available to be issued and have determined that there are no subsequent events that require additional disclosure.