Report of Independent Auditors and
Financial Statements

RSF Social Investment Fund, Inc.
(an affiliate of RSF Social Finance)

December 31, 2022, and 2021, and 2020

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
RSF Social Investment Fund, Inc.
(an affiliate of RSF Social Finance)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RSF Social Investment Fund, Inc., which comprise the statements of financial position as of December 31, 2022, 2021, and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RSF Social Investment Fund, Inc., as of December 31, 2022, 2021, and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Investment Fund, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RSF Social Investment Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RSF Social Investment Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Moss Adams LLP

San Francisco, California
April 14, 2023

Financial Statements

RSF Social Investment Fund, Inc.
(an affiliate of RSF Social Finance)
Statements of Financial Position
December 31, 2022, 2021, and 2020

	2022	2021	2020
ASSETS			
Cash and cash equivalents	$ 44,588,154	$ 47,108,495	$ 39,070,032
Loans receivable, net of allowance for loan losses of $5,981,965, $6,103,614, and $5,363,142 as of December 31, 2022, 2021, and 2020, respectively	89,234,746	87,520,671	100,115,920
Investments, at fair value	-	713,895	1,477,816
Advances to related parties, net	9,071,540	12,086,761	11,649,412
Prepaid and other assets	2,149	25,341	117,745
Total assets	$ 142,896,589	$ 147,455,163	$ 152,430,925
LIABILITIES AND NET ASSETS			
LIABILITES			
Accounts payable and accrued expenses	$ 2,066,968	$ 3,825,577	$ 1,290,981
Investor notes payable	120,994,762	123,994,810	135,818,858
Other notes payable	8,000,000	8,000,000	3,981,807
Total liabilities	131,061,730	135,820,387	141,091,646
NET ASSETS			
Net assets without donor restrictions:			
Board-designated operating reserves	-	-	2,191,807
Crisis Response Fund	-	24,478	10,954
Undesignated net assets	11,834,859	11,610,298	9,136,518
Total net assets	11,834,859	11,634,776	11,339,279
Total liabilities and net assets	$ 142,896,589	$ 147,455,163	$ 152,430,925

See accompanying notes.

RSF Social Investment Fund, Inc.
(an affiliate of RSF Social Finance)
Statements of Activities
Years Ended December 31, 2022, 2021, and 2020

	2022	2021	2020
WITHOUT DONOR RESTRICTIONS			
REVENUES, GAINS, AND OTHER SUPPORT			
Interest on loans and investment income:			
Interest and fees - loans receivable	$ 4,927,815	$ 5,883,365	$ 6,561,447
Interest - related-party notes receivable	220,154	237,839	156,807
Investment (loss) income, net	(578,983)	(717,964)	52,272
Net interest on loans and investment income	4,568,986	5,403,240	6,770,526
Gifts and contributions:			
Contributed financial assets	-	13,524	10,955
Total revenues, gains, and other support	4,568,986	5,416,764	6,781,481
EXPENSES			
Program services:			
Interest expense - investor notes payable	494,674	939,428	1,080,047
Loan loss provision	-	683,672	1,837,703
Personnel costs	1,976,789	1,837,277	2,131,517
Consultants	37,450	31,236	67,187
Legal, accounting, and audit expenses	371,643	266,704	218,588
Travel expenses	12,881	1,699	4,324
Marketing expenses	48,283	34,279	35,594
Other expenses	402,451	405,577	305,892
Total program services	3,344,171	4,199,872	5,680,852
Supporting services:			
Management and general expenses	1,024,732	921,395	1,055,406
Total expenses	4,368,903	5,121,267	6,736,258
CHANGES IN NET ASSETS	200,083	295,497	45,223
NET ASSETS, beginning of year	11,634,776	11,339,279	11,294,056
NET ASSETS, end of year	$ 11,834,859	$ 11,634,776	$ 11,339,279

See accompanying notes.

RSF Social Investment Fund, Inc.
(an affiliate of RSF Social Finance)
Statements of Cash Flows
Years Ended December 31, 2022, 2021, and 2020

	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Changes in net assets	$ 200,083	$ 295,497	$ 45,223
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:			
Provision for loan loss reserve	-	683,672	1,837,703
Unrealized loss on investments	713,895	763,921	-
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	23,192	92,404	(117,745)
Accounts payable and accrued expenses	(1,758,609)	2,534,596	1,164,519
Net cash (used in) provided by operating activities	(821,439)	4,370,090	2,929,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Net loan (originations) principal collections	(1,714,075)	11,911,577	10,750,673
Net collections (originations) on advances to related parties	3,015,221	(437,349)	682,148
Net cash provided by investing activities	1,301,146	11,474,228	11,432,821
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (payments on) proceeds from investor notes payable	(3,000,048)	(11,824,048)	7,856,769
Net proceeds from (payments on) other notes payable	-	4,018,193	(9,512,688)
Net cash used in financing activities	(3,000,048)	(7,805,855)	(1,655,919)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(2,520,341)	8,038,463	12,706,602
CASH AND CASH EQUIVALENTS, beginning of year	47,108,495	39,070,032	26,363,430
CASH AND CASH EQUIVALENTS, end of year	$ 44,588,154	$ 47,108,495	$ 39,070,032
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Cash paid during the year for interest	$ 581,092	$ 743,436	$ 1,580,132

See accompanying notes.

Note 1 – Organization

RSF Social Investment Fund, Inc. (“SIF”) was incorporated in July 2000 and started doing business on April 27, 2004, as a nonprofit public benefit organization. SIF was created as an affiliate RSF Social Finance (“RSF”) with two primary objectives: to fund loans to mission-driven and mission-related organizations. RSF supports SIF’s charitable mission by providing a way for investors to fund mission-related social enterprises. SIF intends to use investor funds to make loans to a broad range of projects in the fields of sustainable agriculture, education and the arts, and climate and environment.

Effective March 3, 2022, SIF’s parent company, RSF, changed its name from Rudolf Steiner Foundation, Inc. to RSF Social Finance, Inc.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The 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”).

U.S. GAAP requires that SIF reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available to support the operations of SIF at management’s discretion; and net assets with donor restrictions, which represent resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of SIF. There were no net assets with donor restrictions as of December 31, 2022, 2021, and 2020.

Use of estimates – In preparing 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for loan losses and fair value measurement. Actual results could differ from those estimates.

Cash and cash equivalents – SIF considers all highly-liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Loans receivable – These consist of mission-related loans made by SIF 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. SIF has the ability and intent to hold the loans for the foreseeable future. While loans receivable are categorized by type for disclosure purposes, management believes that each category has a similar risk of repayment (see Note 3).

Allowance for loan losses – This 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 their portfolio, including adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and historical loss experience. Management also considers economic uncertainties and other subjective factors, including industry trends.

The overall allowance consists of:

1. Specific allowances for individually identified impaired loans: Accounting Standards Codification ("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, SIF 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.

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

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

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

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 are 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 an organization's own assumptions and may include significant management judgment and estimation.

SIF uses the following methods and significant assumptions to estimate fair value:

Impaired loans – Certain assets and liabilities are measured at fair value on a nonrecurring basis – that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). 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. Non-real-estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

Corporate securities – In May 2022, SIF's holdings of Freshlocal Solutions was 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 $713,895. In 2021, SIF'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. SIF had a six-month lockout period restricting the sale of up to 50% of the shares, and was still under a lockout as of December 31, 2021, for the remaining 50% of the shares. This lockout period ended one year after the IPO date. 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 income (loss) is reported as an increase (decrease) in net assets without donor restrictions, unless there are donor-imposed restrictions on the use of the income.

Notes payable – Notes payable are liabilities consisting of both investor notes and another loan facility made to SIF by individuals and organizations for specified periods, depending on the terms of the agreements with the other parties.

Revenue recognition – SIF's revenue is derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Financial Accounting Standards Board ("FASB") ASC 606, *Revenue from Contracts with Customers* ("ASC 606").

Gifts and contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified as net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Support that is restricted by the donor 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 support with donor restrictions are 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), restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Interest and fee income – Most of SIF'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, 2021, and 2020, the base rate in place was 4.50%, 4.75%, and 5.00%, respectively.

Functional expense allocation – The costs of SIF's various programs and other activities have been summarized on a functional basis in the accompanying 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 SIF, such as personnel costs. Expenses are allocated to SIF based on a determination of time and resources spent specifically on social enterprise lending activities. The percentage of expenses allocated has ranged from 10% to 90% of individual departmental expenses. There were no fundraising expenses incurred during the years ended December 31, 2022, 2021, and 2020.

Income taxes – SIF is a qualified organization exempt from federal and California income taxes as an organization described under the provisions of Internal Revenue Code ("IRC") Sections 501(c)(3) and 509(a)(3), and Section 23701d of the California Revenue and Taxation Code.

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, 2021, and 2020.

SIF would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. SIF has no amounts accrued for interest or penalties for the years ended December 31, 2022, 2021, and 2020. SIF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

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 statement of activities and a related allowance for credit losses on the statement of financial position at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Likewise, subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but reasonable and supportable forecasts of future events and circumstances, incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance. Under ASU 2016-13, available-for-sale debt securities are evaluated for impairment if fair value is less than amortized cost. Estimated credit losses are recorded through a credit loss expense and an allowance, rather than a write-down of the investment. Changes in fair value that are not credit-related will continue to be recorded in other comprehensive income. The ASU also expands the disclosure requirements regarding assumptions, models, and methods for estimating the allowance for loan losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for nonprofit entities for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities will apply a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While SIF 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 SIF's financial position or statement of activities cannot be reasonably quantified at this time due to the complexity and extensive changes from these amendments. SIF is evaluating tools to forecast future economic conditions that affect the cash flows of our loans over their lifetime. SIF adopted this ASU as of January 1, 2023 and is currently evaluating the impact on its financial position and statement of activities.

Note 3 – Loans Receivable

As of December 31, 2022, 2021, and 2020, SIF's total loans receivable are summarized by loan category in the following table:

	2022	2021	2020
Education and the arts	$ 55,343,340	$ 52,416,871	$ 51,311,113
Food and agriculture	26,802,209	29,632,633	42,821,906
Ecological stewardship	13,071,162	11,574,781	11,346,043
Total	95,216,711	93,624,285	105,479,062
Allowance for loan losses	(5,981,965)	(6,103,614)	(5,363,142)
Total	$ 89,234,746	$ 87,520,671	$ 100,115,920

SIF extends credit to organizations that are mission-related and/or mission-driven. Interest rates offered on newly originated loans ranged from 3.05% to 8.10% during 2022, from 4.75% to 7.25% during 2021, and from 3.00% to 10.00% during 2020. Loans generally have one-to five-years terms and are fully secured by business inventory and/or other assets and personal guaranties. SIF performs ongoing credit evaluations of its borrowers, maintaining allowances for potential credit losses, when appropriate.

For certain extensions of credit, SIF may require credit enhancements, based on its assessment of a borrower's credit risk. SIF 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 SIF is required to fund the commitment. SIF uses the same credit policies in extending credit for unfunded commitments in funding loans. In addition, SIF 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 SIF 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, 2021, and 2020, the contractual amount of the unfunded credit commitments is approximately $9,770,000, $12,988,000, and $15,063,000, respectively.

Investors have the option to enter into a limited guaranty agreement with SIF whereby the investor noteholder pledges their investor note to cover potential loan losses in the SIF portfolio. In 2022, 2021, and 2020, SIF had in place approximately $2,656,000, $5,293,000, and $2,125,000, 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, 2021, and 2020:

	2022	2021	2020
Balance, beginning of year	$ 6,103,614	$ 5,363,142	$ 2,882,712
Provision for loan losses	-	683,672	1,837,703
(Charge-off) recoveries, net	(121,649)	56,800	642,727
Balance, end of year	$ 5,981,965	$ 6,103,614	$ 5,363,142
Allowance for loan losses individually evaluated for impairment	$ 1,710,186	$ 2,351,699	$ 1,080,300
Allowance for loan losses collectively evaluated for impairment	$ 4,271,779	$ 3,751,915	$ 4,282,842

As of December 31, 2022, 2021, and 2020, 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	Recognized Interest Income
With no related allowance recorded:					
Education and the arts	$ 7,254,551	$ 9,097,743	$ -	$ 7,575,043	$ 427,315
Food and agriculture	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
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	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
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	Recognized Interest Income
With no related allowance recorded:					
Education and the arts	$ 7,885,947	$ 9,607,453	$ -	$ 9,805,268	$ 501,558
Food and agriculture	-	-	-	-	-
Ecological stewardship	-	-	-	-	-
Total	7,885,947	9,607,453	-	9,805,268	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
Ecological stewardship	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	$ 13,682,093	$ 15,304,476	$ 2,351,699	$ 15,668,515	$ 802,848

	2020				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Recognized Interest Income
With no related allowance recorded:					
Education and the arts	$ 11,613,158	$ 13,161,620	$ -	$ 11,953,355	$ 673,346
Food and agriculture	148,687	147,705	-	193,393	12,348
Ecological stewardship	-	-	-	-	-
Total	11,761,845	13,309,325	-	12,146,748	685,694
With an allowance recorded:					
Education and the arts	4,996,393	4,896,090	928,463	4,998,190	165,881
Food and agriculture	238,240	236,988	151,837	297,217	18,325
Ecological stewardship	-	-	-	-	-
Total	5,234,633	5,133,078	1,080,300	5,295,407	184,206
Total	$ 16,996,478	$ 18,442,403	$ 1,080,300	$ 17,442,155	$ 869,900

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, 2021, and 2020, 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	-	-	-	-
Ecological stewardship	-	-	-	-
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
Ecological stewardship	321,185	-	-	321,185
Total	$ 3,444,447	$ -	$ -	$ 3,444,447

	2020			
	Total	Level 1	Level 2	Level 3
Education and the arts	$ 4,068,000	$ -	$ -	$ 4,068,000
Food and agriculture	86,402	-	-	86,402
Ecological stewardship	-	-	-	-
Total	$ 4,154,402	$ -	$ -	$ 4,154,402

The following table presents loans by class, modified as TDRs that occurred during the years ended December 31, 2022, 2021, and 2020:

	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
December 31, 2022:			
Education and the arts	5	$ 3,845,109	$ 3,845,109
December 31, 2021:			
Education and the arts	6	$ 4,456,020	$ 4,456,020
Ecological stewardship	2	$ 436,505	$ 436,505
December 31, 2020:			
Education and the arts	2	$ 465,439	$ 465,439

The modifications of loan terms during the years ended December 31, 2022, 2021, and 2020, included lowering principal and interest payments and payment deferrals.

There were no TDRs for which there was a payment default within 12 months following the modification during the years ended December 31, 2022, 2021, and 2020.

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%, 35%, and 27% at December 31, 2022, 2021, and 2020, respectively. All school loans are secured by collateral that ranges based on loan type, but including deed of trust, UCC-1, Guaranty, and Collaborative funds. Based on current economic conditions, schools may be subject to a drop in tuition revenue and/or state funding. SIF 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 that 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, 2021, and 2020:

	2022			
	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	-	16,008,874
Substandard	3,070,138	-	-	3,070,138
Doubtful	4,693,186	-	-	4,693,186
Total	$ 55,343,340	$ 26,802,209	$ 13,071,162	$ 95,216,711

	2021			
	Education and the Arts	Food and Agriculture	Climate and Environment	Total
Grade:				
Pass	$ 27,354,594	$ 21,398,508	$ 11,138,276	$ 59,891,378
Watch list/special mention	15,865,148	7,728,332	-	23,593,480
Substandard	2,168,277	-	-	2,168,277
Doubtful	7,028,852	505,793	436,505	7,971,150
Total	$ 52,416,871	$ 29,632,633	$ 11,574,781	$ 93,624,285

	2020			
	Education and the Arts	Food and Agriculture	Climate and Environment	Total
Grade:				
Pass	$ 22,204,663	$ 40,811,628	$ 10,537,911	$ 73,554,202
Watch list/special mention	16,266,698	1,623,351	808,132	18,698,181
Substandard	5,436,276	148,687	-	5,584,963
Doubtful	7,403,476	238,240	-	7,641,716
Total	$ 51,311,113	$ 42,821,906	$ 11,346,043	$ 105,479,062

The following tables show an aging analysis of the loan portfolio by the time past due at December 31, 2022, 2021, and 2020:

	2022				
	30 to 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	-	930.00	26,801,279	26,802,209
Climate and environment	-	-	-	13,071,162	13,071,162
Total	$ 6,930	$ 1,387,318	$ 1,394,248	$ 93,822,463	$ 95,216,711

	2021				
	30 to 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

	2020				
	30 to 89 Days Past Due	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
Education and the arts	$ -	$ 3,129,285	$ 3,129,285	$ 48,181,828	$ 51,311,113
Food and agriculture	-	-	-	42,821,906	42,821,906
Climate and environment	-	-	-	11,346,043	11,346,043
Total	$ -	$ 3,129,285	$ 3,129,285	$ 102,349,777	$ 105,479,062

Note 4 – Investments

Fair value, cost, and unrealized gains and losses at December 31, 2022, 2021, and 2020, were as follows:

	2022		
	Fair Value	Cost	Accumulated Realized & Unrealized (Loss)
Corporate securities	$ -	$ 1,162,045	$ (1,162,045)
Total	$ -	$ 1,162,045	$ (1,162,045)

	2021		
	Fair Value	Cost	Accumulated Unrealized (Loss)
Corporate securities	$ 713,895	$ 1,162,045	$ (448,150)
Total	$ 713,895	$ 1,162,045	$ (448,150)

	2020		
	Fair Value	Cost	Accumulated Unrealized Gain
Corporate securities	$ 1,477,816	$ 1,162,045	$ 315,771
Total	$ 1,477,816	$ 1,162,045	$ 315,771

The balances of assets measured at fair value at December 31, 2022, 2021, and 2020, on a recurring basis were as follows:

	2022			
	Total	Level 1	Level 2	Level 3
Corporate securities	$ -	$ -	$ -	$ -

	2021			
	Total	Level 1	Level 2	Level 3
Corporate securities	$ 713,895	$ 713,895	$ -	$ -

	2020			
	Total	Level 1	Level 2	Level 3
Corporate securities	$ 1,477,816	$ -	$ -	$ 1,477,816

During the years ended December 31, 2022 and 2020, there were no corporate securities transferred out of Level 3 to Level 1. During the year ended December 31, 2021, there were corporate securities transferred out of Level 3 to Level 1. Prior to the write-off of Freshlocal Solutions in May of 2022, SIF 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).

In prior years, the finance staff determined fair value measurement policies and procedures for assets under the supervision of the Chief Financial Officer at the time. Valuation inputs for Level 3 investments may include, but are not limited to, initial investment amount (cost), observed transaction price used in subsequent valuations, liquidation value, qualified opinion or appraisal, company financial statements, press releases and company commentary, and SIF's own assessment of value and applicable discounts. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate.

While SIF 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 investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

There are no unfunded commitments in Level 3 investments as of December 31, 2022, 2021, and 2020.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible 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 statements of financial position.

Note 5 – Liquidity and Funds Available

The following table reflects SIF's financial assets as of December 31, 2022, 2021, and 2020, 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, 2021, and 2020:

	2022	2021	2020
Financial assets:			
Cash and cash equivalents	$ 44,588,154	$ 47,108,495	$ 39,070,032
Mission related loans and investments:			
Loans receivable, net of allowance for loan losses	89,234,746	87,520,671	100,115,920
Investments, at fair value	-	713,895	1,477,816
Advances to related parties and other receivables	9,071,540	12,086,761	11,649,412
Total financial assets	142,894,440	147,429,822	152,313,180
Less those unavailable for general expenditure within one year, due to:			
Principal receivable from loans after December 31,	68,174,770	65,870,205	77,116,506
Illiquid investments, at fair value	-	713,895	1,477,816
Advances to related parties and other receivables	9,071,540	12,086,761	11,649,412
Financial assets available to meet cash needs for general expenditures within one year	$ 65,648,130	$ 68,758,961	$ 62,069,446

In addition to the financial assets available in the table above, SIF had approximately $2,656,000 in limited loan guaranties as of December 31, 2022. Management structures SIF's financial assets to be available for general expenditures, including SIF 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 SIF from individuals, organizations, and/or corporations that would like to support SIF's mission.

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, 2021, and 2020, SIF had investor notes payable totaling $120,994,762, $123,994,810, and $135,818,858, respectively, with effective interest rates of 0.25%, 0.25%, and 0.50%, respectively. On renewal, the principal amount of the note will include any elected reinvested quarterly interest.

SIF's parent company, RSF, invests a portion of philanthropic assets in SIF investor notes. At December 31, 2022, 2021, and 2020, RSF investment balances in SIF Investor Notes Program totaled $3,000,000, $2,000,000, and $2,000,000, respectively.

Investor notes payable have a three-month renewable term and upon maturity these notes automatically renew unless SIF receives a request from the investors for repayment before the maturity date. SIF management observes that the average term of an active SIF 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.

Other notes payable – Other notes payable consists of notes with maturities greater than one year. Other notes payable comprised the following notes for the years ended December 31, 2022, 2021, and 2020. 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	2020
December 2016	$ 8,000,000	December 2026	1.00%	$ 8,000,000	$ 8,000,000	$ -
June 2019	2,671,807	June 2022	2.50%	-	-	2,671,807
May 2019	310,000	May 2022	2.00%	-	-	310,000
January 2019	500,000	December 2021	2.25%	-	-	500,000
October 2019	500,000	October 2022	2.50%	-	-	500,000
				$ 8,000,000	$ 8,000,000	$ 3,981,807

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

Note 7 – Related-party Transactions

In March 2022, SIF entered into an agreement with its parent company, RSF, that formalizes a repayment plan for the advances due from related parties. The terms of the agreement cover all RSF loans and SIF obligations due and outstanding between the parties with an effective date of March 21, 2022 resulting in an outstanding unsecured RSF loan balance of $10,682,000 at an interest rate of 1.92% per annum based on the Applicable Federal Rate ("AFR") adjusted on the anniversary of the effective date, with a maturity date of March 31, 2025. Interest payments are to be made annually on the anniversary of the effective date. The repayment terms include one payment of $3,000,000 on the first anniversary of the effective date (see Note 9), one payment of $4,000,000 on the second anniversary of the effective date, and one payment equal to the remaining balance of all principal and interest outstanding under this agreement on the third anniversary of the effective date.

Advances due from (due to) related parties, net as of December 31:

	2022	2021	2020
Advances due from RSF	$ 44,122,895	$ 46,868,961	$ 46,609,770
Advances due to RSF	(32,160,188)	(31,891,033)	(32,069,191)
Advances due to RSF Capital Management, PBC	(2,891,167)	(2,891,167)	(2,891,167)
Total advances due from related parties, net	$ 9,071,540	$ 12,086,761	$ 11,649,412

Advances due from (due to) related parties are unsecured. Net interest income from related parties for the years ended December 31, 2022, 2021, and 2020 was $220,154, $237,839, and $156,807, respectively.

Management agreement – SIF shares office space and employees with RSF. The overhead costs associated with these items are allocated between RSF and its affiliates, by department based on time studies performed to determine time spent on tasks related to each entity, in addition to other factors determined in a manner that appropriately reflects each entity's respective share of these costs. Total overhead costs reimbursed to RSF for the years ended December 31, 2022, 2021, and 2020 were approximately $3,353,000, $3,137,000, and $3,487,000, respectively.

Cash and cash equivalents – SIF 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, $5,018,000, and $5,008,000 at December 31, 2022, 2021, and 2020, respectively.

Investor notes payable – Investor notes payable includes approximately $208,000, $133,000, and $910,000 owed to Trustees and employees as of December 31, 2022, 2021, and 2020, respectively. SIF's parent company, RSF, also invests a portion of philanthropic assets in SIF investor notes (see Note 6).

Note 8 – Risks and Uncertainties

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

Cash and cash equivalents on deposit with financial institutions are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 for all interest-and noninterest-bearing cash accounts at all FDIC-insured financial institutions and/or by the Securities Investor Protection Corporation ("SIPC") as of December 31, 2022, 2021, and 2020. At various times during the years 2022, 2021, and 2020, SIF had cash balances in excess of the insured limits. SIF has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk to cash.

As of the years ended December 31, 2022, 2021 and 2020, SIF's cash and cash equivalent balances with two financial institutions comprised 95%, 100%, and 100% of total cash and cash equivalents, respectively.

Impact from novel coronavirus ("COVID-19") outbreak – In March 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. Subsequent to the declaration of the pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable.

The COVID-19 outbreak in the United States has not significantly disrupted SIF's operations. However, the ultimate duration and intensity of the impact of COVID-19 and resulting disruption to SIF's operations is uncertain. A broad-based reduction in interest rates may reduce SIF's interest income and/or net interest margin, may result in increased prepayments of mortgage loans, and may cause investors to redeem notes, thereby impacting SIF's liquidity. A reduction in economic output or a recession in the U.S. economy, both of which appear probable as a result of the pandemic, may also result in a decreased valuation of investments held by SIF.

Note 9 – Subsequent Events

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

In March 2023, RSF made the $3,000,000 payment according to the repayment terms of the intercompany note agreement (see Note 7).

SIF has evaluated subsequent events through April 14, 2023, the date the financial statements were available to be issued, and has determined that there are no other subsequent events that require additional recognition or disclosure.