

RSF SOCIAL FINANCE IS ►

Dedicated to transforming the way the world works with money through investing, lending, and giving. Our growing community of over 1,600 clients is furthering the work of social entrepreneurs and social enterprises in the fields of Food & Agriculture, Education & the Arts, and Ecological Stewardship. Building the field of social finance through community-based economic practices and a productive ecosystem of social finance partners is part of our work toward a human centered culture of finance. We see money as a bridge for connecting people through relationships of service.

WE BELIEVE IN ►

SPIRIT

The primary role of money is to serve the highest intentions of the human spirit.

TRUST

People are best served by financial transactions that are direct, transparent, and personal, based on long-term relationships.

INTERDEPENDENCE

Economic success will be defined by social and ecological impact, not by financial results alone.

COMMUNITY

Networks and associations will be increasingly important in the circulation of money.

INNOVATION

A deeply entrepreneurial culture is required to generate breakthrough ideas at the intersection of social change and finance.

EQUALITY

All those seeking to align their values with their money will have access to opportunities for investing, lending, and giving.



Cover Photo:
Community artwork created with the
Pomegranate Center, an RSF grantee.
Photo courtesy of Tim Matsui

Annual Report 2011

OUR FOCUS ►

FOOD & AGRICULTURE

We are dedicated to the development of healthy food systems as a foundation for more vibrant and resilient regional economies. With a commitment to biodynamic and high integrity organic farming, we also see agriculture as critical to restoring the earth and environment, and supporting human health.

EDUCATION & THE ARTS

We maintain a core commitment to education and the arts as central to the renewal of culture. The intellectual, emotional, aesthetic, and social needs of children and adults guide us in supporting learning opportunities from academic endeavors to practical expression in entrepreneurship.

ECOLOGICAL STEWARDSHIP

We support organizations and initiatives committed to regenerating and preserving the earth's ecosystems. Understanding that land is the source of economic life, we seek those practicing integrated, systems-based, and culturally sensitive approaches to stewardship.

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Welcome

Dear Friends,

I hope this letter finds you well! It is always a fascinating exercise to look back over the year, and to determine the essential aspects of all that we accomplished. The overwhelming sense is that our growing community sees us as a trust holder for aligning their money with their values—whether through investing, lending, or giving.

Perhaps the most significant theme for 2011 is how we have grown stronger in an adverse economic climate. Often the highest level of fulfillment comes from overcoming challenges. In the spirit of transparency, last year we worked very hard with a handful of our borrowers as they struggled in this difficult economy. Two didn't make it. So after strong financial performance in 2008, 2009, and 2010 during the heart of the recession, we did not reach our financial growth goals for 2011. During this time, it was essential to manage our operations tightly which added some additional pressure to staff work loads, but we have worked through this

with a healthy culture and enthusiasm for 2012.

As were many social enterprises, we were tested. And I am proud to say that we're stronger as a result.

At the same time, we had many more new investors open accounts with us than in any year in our history (241), and the value of those accounts was by far the highest ever (\$19.5 million). Our donors brought their own insights and innovative ideas along with new philanthropic resources (\$11 million).

There is tremendous awareness growing about social finance, impact investing, and new ways of integrating capital for the highest level of social benefit. Clearly, RSF is regarded as a leader in this fast growing field.

Across all of our programs and initiatives, we took big strides to transform the way the world works with money. Please read on – we hope you will be inspired.



DON SHAFFER

Thank you to everyone who has contributed to the RSF community over the past year! We are incredibly appreciative.

All my best,

A handwritten signature in dark ink, appearing to read 'Don Shaffer'. The signature is fluid and cursive, written over a light background.

Don Shaffer,
President & CEO



24 Loans & 403 Grants

\$20.7M
FOOD & AGRICULTURE

\$8.5M
EDUCATION & THE ARTS

\$7.8M
ECOLOGICAL STEWARDSHIP

Through these transactions
our values-aligned community
grew by

We deepened these
relationships through

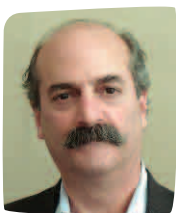
And raised our visibility at

241 investors
14 borrowers
11 donor advisors
274 grantees

8 staff
2 interns
11 fellows

10 RSF hosted events with over 1,000 attendees

23 events and conferences with over 9,000 attendees



Building Community

JOHN BLOOM, SENIOR DIRECTOR, ORGANIZATIONAL CULTURE
MELINDA CHEEL, MANAGER, PARTNERSHIPS & COMMUNICATIONS

At RSF we believe that networks and associations are increasingly important in the circulation of capital in the new economy. Therefore, building community lies at the center of our work to transform the way the world works with money.

Building community is at the heart of social finance, and it is through an expanding and engaged community that RSF fulfills its purpose to transform the way the world works with money. The RSF community takes shape in many forms from conversational client gatherings to organizational partnerships, from active borrower communities to supporting new economic policy.

In keeping with our direct, transparent, and personal approach and the entrepreneurial nature of our work, RSF provides innovative engagement opportunities for our clients. Every quarter we invite our investors and borrowers to take part in a facilitated discussion to explore what interest rates will best meet the needs of all stakeholders. These Pricing Meetings are radically innovative gatherings that engage the investor-borrower community in a way that no other financial institution does. At our 2011 Borrower Gathering, borrowers participated in two days of collaborative learning on how to be more effective in their missions. And, out of a long-standing loan innovation emerged 40 community guarantors (parents, staff, and friends) who opened Social Investment Fund accounts to assure a new loan to the Pittsburgh Waldorf School.

An exciting 2011 highlight was the passage of the benefit corporation legislation in California and several other states. Creating legal benefit corporation structures was nothing short of a community effort between B Lab, who led the charge, and leaders such as RSF who provided

support for the work and testified on behalf of social enterprises.

RSF is a leader in the field of social finance, but it is through the organizations we sponsor and our thriving ecosystem of social finance partners that we are able to have a large impact on the communities we work in and the people we serve. In 2011, RSF sponsored several interconnected networks including BALLE, Social Venture Network, Slow Money, and Toniic. These networks and the other conferences sponsored by RSF have a common purpose of furthering the field of social finance, strengthening local economies, supporting innovative social entrepreneurs, and promoting the development of sustainable food systems. These collaborations have already created systemic change, and allowed us to bring more capital to social enterprises working to create positive social and environmental impacts. None of this would be possible to accomplish on our own.

RSF's community also reaches those who see that money can serve the highest aspirations of the human spirit. In 2011, RSF hosted a day-long festival that brought together more than 500 people to share and



RSF staff, clients, and friends share a meal following a Pricing Meeting at the Summerfield Waldorf School and Farm in Sebastopol, CA

experience the values, practices and ideas inspired by the work of Rudolf Steiner in honor of his 150th birthday. Those values are what bring coherence to an extraordinarily diverse community.

Each of these examples is an expression of interest in transformation, and in creating and sharing the values and practices that will contribute to the economic and social community of the future. While money is RSF's primary tool for transactions in investing, lending, and giving, it is the relationships that we cultivate through those transactions and our partnerships and gatherings that represent the most important value.



Shared Gifting

KELLEY BUHLES, SENIOR PROGRAM MANAGER, PHILANTHROPIC SERVICES

Within the conventional model of philanthropy, non-profits compete with each other for grant funding from foundations. Is this type of competition the most beneficial way for gift money to be exchanged? Through the RSF Shared Gifting program we ask: how can gift money be used to foster community and collaboration, rather than competition?

In 2011, RSF launched the Shared Gifting program, an innovative grantmaking process that helps transform the power dynamics and competition that exist in philanthropy by illuminating the communal and collaborative aspects of gift money.

The Shared Gifting program was inspired by the work of a Wisconsin philanthropist named Elise Ott Casper. Along with her advisors, Elise created the first Shared Gifting circle 25 years ago with a group of Waldorf schools in the Midwest. This group of Waldorf schools is given a lump sum of money to collectively distribute among the group members. The process for distributing money builds community, trust, and opportunities for collaboration among the participants.

RSF has managed this program for the past 15 years and during a 2009 visit with the group, we were inspired by how different the grantmaking process was and the quality of the relationships that were created by it. We decided that this was a great opportunity to share a new form of giving outside of the Waldorf community.

Given our experience, we decided to launch the first RSF Shared Gifting circle in the field of Food & Agriculture in the San Francisco Bay Area. We invited our community of borrowers, investors, and donors to nominate aligned non-profit organizations; seven were selected to participate. The organizations came to RSF in February for a day-long meeting where

we learned about each other's work. Through a thoughtful process, the day culminated in the participants acting as grantors to each other and dividing up \$50,000 among themselves.

This meeting was a huge success. The experience created new perspectives for the participants by building transparency into the grantmaking process and creating peer accountability within the group to meet their intended goals. As the grantmaking process evolved, new gifts emerged as participants began granting other resources to each other in the spirit of collaboration, such as sharing curriculum, garden space, and even fundraising information. Ultimately, the grantees even began granting money back to RSF for support of the program's continuance.

The success of this model of grantmaking often comes as a surprise to those working in the field of philanthropy. The complex history and social context of philanthropy in America has created a field that has lost some of the spiritual and community aspects of giving. The Shared Gifting model is one process for bringing some of those traditional qualities of gift giving back into the philanthropic realm. Inspired by Rudolf Steiner's associative economic principles, the Shared Gifting model helps us answer the question of how to transform the way the world works with money. It is through RSF's unique lens of looking at how grant money flows that we see the importance of bringing community and trust to the process of distributing grant money.

"To be completely honest, after the first round of granting I impulsively wanted to take the cash and run, which was an upsetting feeling. But being challenged to sit with it and assess what we really needed, what other people still needed and didn't get, and what we could do to perpetuate the relationships we were building, helped me loosen my grip."

LAUREN ANDERSON,
FOUNDER AND DIRECTOR OF PRODUCE TO THE PEOPLE, 2011 SHARED GIFTING PARTICIPANT



A New Foundation for Portfolio Management DON SHAFFER, PRESIDENT & CEO

Last year, we saw car manufacturers' sales slide due to the tsunami in Japan and flooding in Thailand that limited the availability of parts. These types of natural disasters are not accounted for in the standard investment evaluation of risk. The realities of ecological limits, consumption and growth, and financial returns have changed – it is time for investment strategy to follow suit.

In coordination with Leslie Christian, former President & CEO of Portfolio 21 Investments, RSF released a white paper in September 2011 titled *A New Foundation for Portfolio Management*. In the paper, Leslie proposes new principles for creating an investment portfolio. She challenges many of the core assumptions of Modern Portfolio Theory (MPT), the dominant tool used by financial advisors and investors today.

Leslie asserts that MPT does not address the significant risks associated with climate change and natural resource depletion. Reducing risk to one number (volatility) is too simplistic. Instead, the uncertainty associated with ecological risk must now be taken into account in investing.

Ecological risks also have very serious implications for MPT's assumption of continuous economic growth. In its current state, growth depends on increasing consumption, which in turn drives raw materials extraction at one end and leaves waste at the other. As long as this process continues, the rate at which the global economy is growing is unsustainable. These dynamics will negatively affect financial returns for investors.

Finally, MPT attributes investor satisfaction and fulfillment, or utility, exclusively to higher financial returns. However, people often make financial decisions outside of pure financial gain, such as when individuals pay more for locally-made products. This type of satisfaction is not included in MPT's assumptions around utility.

In response to the no-longer-prudent or missing assumptions of Modern Portfolio Theory, Leslie proposes a new set of foundational principles for investors:

Integrated Risk is a scientific view of risk that incorporates ecological limits and related uncertainty.

Selective Growth is the idea that particular sectors and companies will innovate and thrive, and it will take granular analysis by investors and advisors to identify them; the days of passive investing in a "rising tide" based on steady GDP growth are over.

Multidimensional Utility Function highlights the fact that investors have unique goals that increasingly go beyond financial returns to include social and ecological "returns". These goals should be central to the investment process.

Many of RSF's current investments embody these elements including our 2011 investment in Cascade Sierra, an investment fund that provides financing for owners of long-haul, eighteen-wheel trucks so that they may retrofit these trucks with more ecologically sensitive technologies. In addition to its positive environmental impact (diesel trucks account for 10% of petroleum consumption and 6% of greenhouse gas emissions in the US), this investment also provides an opportunity to support a



Cascade Sierra's engine retrofits can improve diesel efficiency up to 36% and decrease pollution by 85%.

system that works within the world's limits and that represents a business model that isn't reliant on growth to succeed.

RSF will continue to evaluate investments for financial, social and environmental impacts in addition to seeking out investment opportunities that, like Cascade Sierra, create financial return without relying on increased extraction or consumption. We feel this is a strategy based on reasoned and legitimate principles that make sense, stand up to scrutiny, and are useful in building investment portfolios for a new economy.



Mezzanine Fund

JOE AVENATTI, MANAGING DIRECTOR, RSF CAPITAL MANAGEMENT

Launched in 2009, the RSF Mezzanine Fund was designed to provide an innovative financing vehicle to connect emerging-growth enterprises with values-aligned investors. Today this program successfully enables entrepreneurs to maintain their social missions and ownership positions while achieving sustainable returns for investors.

The Mezzanine Fund has proven its viability as it heads into 2012, having thus far lived up to its value proposition to its Limited Partners, portfolio companies, and RSF through achievement of higher returns, mission-preserving capital, and an innovative financing product, respectively.

Finishing its third year of operations in 2011, the Mezzanine Fund completed investments in nine portfolio companies and with one additional investment in 2012, it will achieve its desired diversification targets across RSF's focus areas of Food & Agriculture, Education & the Arts, and Ecological Stewardship.

The investment in Guayakí provides an exemplary model of what this program was designed to accomplish. The RSF Mezzanine Fund provided a subordinated term loan to Guayakí in 2009. This loan allowed Guayakí to increase revenue and profitability levels by having adequate capital to invest in product development (e.g., its award-winning canned yerba mate drink and energy shots), and sales and marketing initiatives. Notable achievements during the investment holding period included: annual net sales growth of 15%, reaching positive EBITDA for the first time, and being ranked #2 on Investors' Circle Top 20 Companies Index in 2009. Moreover, this funding relationship provided Guayakí with the capital to grow without requiring a liquidity

event, such as a company sale or IPO, which could compromise its mission and values.

Since the start of this relationship, RSF has deeply believed in Guayakí's mission, especially under the leadership of its CEO, Chris Mann. We recognized that it was Chris's integrity and capability to drive higher revenue and profitability levels that would eventually allow them to attract a lower cost of capital, whether through RSF or another financing source. Fortunately, Chris was successful in accomplishing these goals and decided to stay within the RSF community.

Preserving the company's mission and values has always been of great importance to Guayakí's leadership team when seeking capital to help finance the company's growth. Hence in 2011, as a more established organization, Guayakí was ready for senior debt and received a line of credit from the RSF Social Investment Fund.

At RSF, we value financial transactions that are personal and based on long-term relationships. Our continued relationship with Guayakí exemplifies our commitment to these values and we are proud to partner with this incredible organization through their next phase of development.



Photo courtesy of Guayakí

Guayakí's Market Driven Restoration Business Model is committed to restoring 200,000 acres of South American Atlantic rainforest and creating over 1,000 living wage jobs by 2020.



Integrated Capital

Esther Park, Vice President of Strategy & Business Development

RSF is in a unique position to strategically deploy several types of capital (impact investments, loans, and grants) in support of our focus areas. This allows us a depth of impact and leverage for change experienced by few financial intermediaries.

As part of its own organic growth, RSF is moving more fully into food and agriculture. In this graphic, we show: elements of a basic regional food chain; the ways in which we can bring different types of capital to bear to strengthen the chain; and, examples of how we have brought that capital to specific organizations and companies. We invite you to join us in this new vision of how your capital can be put to work with RSF—through Donor Advised Funds, Social Investment Fund notes, and Mezzanine Fund investments.



DIRECT TO CONSUMER

- Community Supported Agriculture ■■
- Direct Delivery ■■

CORBIN HILL FARM
RSF DONOR ADVISED FUND
IMPACT INVESTMENT
(COURTESY CORBIN HILL)



PRODUCTION

- Land trust ■■
- Models of access & affordability ■■
- Soil quality research & development ■■
- Training / mentorship ■■
- Microloans ■■



DISTRIBUTION & PROCESSING

- Associations / co-ops ■■
- Distributors / aggregators ■■
- Real estate / equipment ■■
- Training / mentorship ■





WASTE

- Bioenergy ■■■
- Wastewater ■■■
- Compost ■■■
- Food packaging ■■■
- Research & development ■



NATUREMILL
RSF MEZZANINE FUND
INVESTMENT
(COURTESY NATUREMILL)



RETAIL

- Food desert solutions ■■■
- Local sourcing programs ■■



GOOD EARTH
RSF BORROWER
(COURTESY GOOD EARTH)

- INVESTMENTS
- LOANS
- GRANTS



GOOD DECISIONS

- Education ■■
- Transparency tools ■■■
- Advocacy ■



MARIN ORGANIC
RSF GRANTEE
(COURTESY PAIGE GREEN & MARIN ORGANIC)



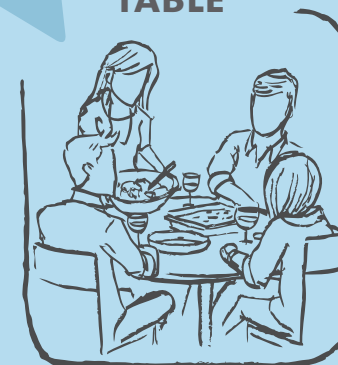
WHOLESALE / VALUE-ADDED

- Consumer packaged goods companies ■■
 - Organic
 - Fair trade
 - Locally sourced
 - Low-impact production
- Food service ■■



REVOLUTION FOODS
RSF BORROWER
(COURTESY REVOLUTION FOODS)

TABLE





Social Investment Fund

MARK HERRERA

SENIOR MANAGER, CLIENT DEVELOPMENT

2011 was a banner year for the RSF Social Investment Fund. Rising demand garnered \$19.5 million in new investments. This record high represented a remarkable 34% increase over 2010 investment activity. And for the third year, our quarterly Pricing Meetings brought a greater level of contact between our stakeholders, with a dozen borrowers and more than three dozen investors, joining us in four different cities to take part in the conversation about price formation and its impacts, which in turn informs how we set our interest rate and RSF Prime.

The timing of this significant influx of new investments was fortunate in that loan demand also increased, and this prepared us for further growth in 2012 and beyond. The fund now manages \$86 million, \$75.4 million of which is provided by 1,205 individual and organizational investor accounts in amounts ranging from \$1,000 to over \$4 million. We also accepted a record number of new investors, with 241 new notes being established. This record significantly surpassed the previous high of 147 new clients in 2010.

New investors contributed \$13.7 million of the total while existing account holders added \$5.8 million to their notes. Eleven percent of the new investors were organizations, and 89% were individual investors. The median Social Investment Note remains at about \$10,000, which highlights the accessibility of the offering.

RSF's Social Investment Notes are part of our integrated program of investing, lending, and giving. For nearly three decades, investors have made possible our lending activity that connects borrower with investor. How we finance projects not only meets the constantly growing needs of the market, but also encourages meaningful and direct relationships among the community of social entrepreneurs who are our borrowers, and the investors who support them.



"To me, RSF Social Finance is not just an entity. It signifies a way of life and being grounded in my core values. By supporting

RSF Social Finance, I know that my money is invested in projects and relationships that are in alignment with my values."

YUKO CHIBA, SIF INVESTOR



"I want to connect on a human level with the people I invest in. RSF Pricing Meetings have deepened my investor consciousness and my relationship with the organization as a whole has helped me grow as an investor. I consider the team at RSF to be innovative financial stewards and authentic trusted partners."

PATRICK MALONE, SIF INVESTOR



With a twenty-eight year operating history, RSF's lending program continues to provide working capital facilities, real estate financing, and equipment loans to high social impact borrowers. Strong growth in the social enterprise sector and continued tight conventional credit markets meant a steady stream of prospective borrowers in 2011. We ended the year with 81 borrowers and over \$71 million in loans working constructively in the world.

One of the 14 new borrowers that joined our portfolio in 2011 was Interrupción Fair Trade, a New York-based company that imports and distributes organic and fair trade produce from Central and South America. With a goal of "interrupting" our habitual ways of consumption, this social enterprise creates a virtuous cycle of better nutrition, a pathway out of poverty for farmers, and a healthier planet. In 2010, Interrupción collected fair trade premiums on over

\$10 million in sales. These funds helped implement a medicine reimbursement program and a loan fund for self-constructed home improvements in farmer communities.

Interrupción's efforts to transform our food system in a financially and humanly sustainable way are consistent with RSF's goal of using money in alignment with our community's deepest intentions. Our loan program provides capital to our borrowers, interest income to our community of investors, and the funds that support RSF's operating budget.



Interrupción provides opportunity for a sustainable future. Today, over 10,000 rural workers have a reliable market for their organic and biodynamic produce.

Photo courtesy of Interrupcion Fair Trade



Giving

CATHERINE COVINGTON
SENIOR PROGRAM ASSOCIATE, PHILANTHROPIC SERVICES

The Philanthropic Services program at RSF works closely with our donors in grantmaking to a wide range of organizations. In 2011, we were excited to welcome 11 new Donor Advised Fund clients and \$11 million in gifts from new and existing clients.

While we continue to develop innovative approaches to grantmaking, especially through Shared Gifting, we are also co-creating exciting approaches to funding with donors that see philanthropy as one aspect of an integrated capital approach to solving important problems. 2011 marked the beginning of this significant shift.

One of the most exciting aspects of our work is the variety of non-profit organizations that our clients are inspired to support through their grantmaking, and we at RSF are fortunate to be a part of the close relationships that often develop between our clients and grantees over time. Given that our donor advisors live in many places around the country, our grantees tend to be widespread geographically as well. The diversity in our grantmaking is represented by the fact that in 2011, we made 403 grants to 279 different organizations in 38 different states!

One particular organization that we are proud to support is the Pomegranate Center, located in



Working with the Pomegranate Center, a community in the northeast Seattle neighborhood of Wedgwood rallied to contribute 3,693 volunteer hours to complete their own community gathering place.

Photo courtesy of Tim Matsui

Issaquah, Washington. The Pomegranate Center is committed to helping communities prepare for the future using collective creativity, meaningful engagement, and powerful collaboration. Their programs create community-built gathering spaces, parks, and public artworks while fostering civic participation, increased social interaction, and the creation of a local sense of identity.



Photo courtesy of Tim Matsui



RSF's Donor Advised Fund Impact Investing Portfolios are an integral part of the Donor Advised Fund Program. The Impact Investment Portfolios support local living economies, sustainable agriculture, social equality, and environmental conservation in a way that is consistent with RSF's investment thesis and is decoupled from Wall Street. Through our Impact and Liquidity Portfolios, donor advisors are able to have their capital invested in mission-driven projects prior to it being granted – thus doubling impact.

Southern Bancorp is one organization that RSF supports through these Impact Investing Portfolios. Southern Bancorp's mission is to end decades of economic decline in rural Arkansas by creating new trends of investment in people, jobs, business, and property. Southern Bancorp operates 23 banking centers in Mississippi and Arkansas, and has also launched non-profits to address affordable housing, grassroots community development, and asset creation in order to build resources in the rural communities it serves. Today, with over \$1 billion in assets, Southern Bancorp is the largest and most profitable rural development banking organization in the country.

Southern Bancorp's deep focus on community development builds on RSF's efforts to support local, place-based economies through financial transactions that are direct, transparent, and personal, and based on long-term relationships. They are one example of how we invest for high social impact with reasonable financial return.

Southern Bancorp's Individual Development Account (IDA) helps low income residents save for investments like their first home. Qualifying IDA participants receive \$3 in matching funds for every \$1 they save.



Photo courtesy of Southern Bancorp



Financials

GARY SCHICK

CHIEF FINANCIAL OFFICER & CHIEF OPERATING OFFICER

2011 was a challenging but strong year for RSF. Overall, we experienced positive financial results as our total assets increased by 14.6% to \$134.7 million and our net income, or change in net assets, increased 7.5% to \$5.0 million. Total revenue decreased 3.6% to \$19.1 million and total expenses also decreased 7.0% to \$14.1 million.

Providing financing to social enterprises is at the heart of our work and in 2011 our loan portfolio increased 2.1% while our investor funds increased a record 17.5% to \$75.4 million. We are very appreciative of the support from our investor clients as these funds allow RSF to make loans to mission-aligned organizations. Our investors continued to receive an above market return of 1.0%.

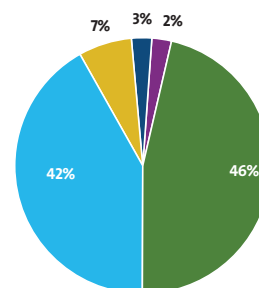
Our major challenges in 2011 were \$2.8 million in loan write-offs on two loans originated in 2007. Our reserve fund strategy ensures that we have sufficient balances at all times to support our capital structure, allow for growth, and to cover any loan losses. Our capital ratio (reserve funds / loan portfolio balance funds) fell to 9.1%, which is below our minimum goal of 10%. We had anticipated that we would need to use our reserve funds and thus launched a fundraising program to replenish them. This has been successful, resulting in \$2 million in gifts and \$2 million in guarantees received during Q1-2012. Our capital ratio is currently 11.6%.

Also, as part of our risk management strategy, and due to uncertain economic times, we continue to maintain significant cash balances in case clients require cash redemptions above historical levels or grantmaking is increased beyond expected levels.

We have a strong start to 2012 and as we continue to manage our operations in a conservative and prudent manner, we look forward to working with all of you to increase social impact and transformation through relationship-based financial transactions.

Operating Funds ►

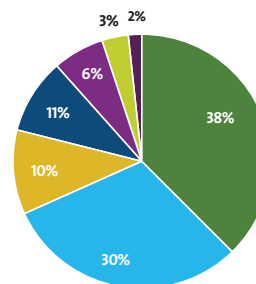
REVENUE



- Interest Income - Lending
\$4,215,891
- Fee Income
\$1,375,532
- Gifts Received - Internal Funds
\$3,559,687
- Gifts Received - Clients
\$138,582
- Other Income
\$171,717

GRAND TOTAL \$9,461,409

EXPENSES



- Personnel
\$3,499,801
- Loan Loss Provision
\$2,851,591
- Interest Expense - SIF Investors
\$919,826
- Professional Services
\$888,294
- General Administration
\$602,290
- Marketing
\$309,322
- Travel
\$157,325

GRAND TOTAL \$9,228,449

Consolidated Statement of Activities & Changes in Net Assets ►

		2011	2010	2009
Revenue, gains and other support:				
Fee income	\$	553,629	752,391	298,997
Net interest and investment income:				
Interest income - borrower funds		4,215,891	4,704,737	4,387,446
Investment income, net		3,524,401	2,077,507	4,311,342
Grants and contributions		10,812,576	12,295,399	14,656,794
Total revenue, gains and other support	\$	19,106,497	19,830,034	23,654,579
Expenses:				
Program services:				
Grants made from programs	\$	4,989,079	10,850,620	13,113,068
Personnel costs		3,499,801	2,970,257	2,908,225
Interest expense - investor funds and other		919,826	959,928	911,557
Loan loss provision (recovery), net		2,851,591	(895,000)	4,603,175
Other projects and program expenses		539,945	263,628	216,903
Supporting services:				
Management and general		1,345,289	1,065,691	1,050,439
Total expenses	\$	14,145,531	15,215,124	22,803,367
Changes in net assets	\$	4,960,966	4,614,910	851,212
Net assets at the beginning of the year		52,146,163	47,531,253	46,680,041
Net assets at the end of the year	\$	57,107,129	52,146,163	47,531,253

2011 Consolidated Statement of Financial Position ►

		2011	2010	2009
Assets				
Cash and cash equivalents	\$	9,538,278	2,541,216	1,995,318
Restricted cash		664,000	723,000	500,000
Loans receivable - borrower funds, net		70,421,764	68,963,817	69,149,127
Investments, at fair value		52,381,111	45,039,363	41,581,249
Prepaid expenses		1,671,132	280,911	281,805
Furniture and equipment, net		40,843	41,753	69,837
Total assets	\$	134,717,128	117,590,060	113,577,336
Liabilities and Net Assets				
Liabilities				
Notes payable - investor funds	\$	75,358,320	64,124,552	64,785,080
Notes payable - other		1,973,599	1,020,647	1,010,496
Other liabilities		278,080	298,698	250,507
Total liabilities	\$	77,609,999	65,443,897	66,046,083
Net assets				
Reserve funds	\$	6,424,716	9,806,152	5,625,148
Philanthropic services funds		51,124,373	42,888,100	42,455,003
Mark to mark on swap contracts		(441,960)	(548,089)	(548,898)
Total net assets	\$	57,107,129	52,146,163	47,531,253
Total liabilities & net assets	\$	134,717,128	117,590,060	113,577,336

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ENVIRONMENTAL BENEFITS STATEMENT of using post-consumer waste fiber vs. virgin fiber				
RSF Social Finance saved the following resources by using 512 pounds of Reincarnation Matte and 288 pounds of Reincarnation Matte, made with an average of 60% post-consumer waste and manufactured with electricity that is offset with Green-e® certified renewable energy certificates.				
Annual Report: 2,500 units				
trees	water	energy	solid waste	greenhouse gases
5 fully grown	2369 gallons	1.8 Million BTUs	150 pounds	525 pounds
Calculations based on research by Environmental Defense and other members of the Paper Task Force.				
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"SOCIAL FINANCE IS BEING CONSCIOUS OF THE WAY MONEY WORKS TO CONNECT PEOPLE, AND MINDFUL OF THE CONSEQUENCES OF ONE'S FINANCING. IT'S AN UNDERSTANDING OF WHAT THE RIPPLE EFFECT IS AND WHAT KIND OF SOCIAL IMPACT THAT COULD HAVE. I'M NOT STUCK ON THE TERM SOCIAL FINANCE BECAUSE AT THE END OF THE DAY, IF WE ARE SUCCESSFUL, IT WILL JUST BE FINANCE."

MARK FINSER, CHAIR OF THE BOARD