

**NET IMPACT**

**Financial Statements for the Year Ended  
June 30, 2011  
and Independent Auditors' Report**

# NET IMPACT

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**KARLSSON & LANE**  
AN ACCOUNTANCY CORPORATION

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Net Impact  
San Francisco, California

We have audited the accompanying statement of financial position of Net Impact (a nonprofit organization) (the "Organization") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Karlsson & Lane, a.c.*

Pleasanton, California  
November 3, 2011

## NET IMPACT

### STATEMENT OF FINANCIAL POSITION JUNE 30, 2011

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#### ASSETS

##### CURRENT ASSETS:

Cash and cash equivalents	\$	842,812
Investments		1,770
Accounts receivable, net		107,848
Prepaid expenses		74,892
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Total current assets 1,027,322

Deposits		33,191
Property and equipment		108,927
		<hr/>

Total assets \$ 1,169,440

#### LIABILITIES AND NET ASSETS

##### LIABILITIES:

Accounts payable and accrued liabilities	\$	162,889
Deferred revenue		97,629
		<hr/>

Total current liabilities 260,518

Deferred rent		32,628
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Total liabilities 293,146

##### NET ASSETS:

Unrestricted		495,925
Temporarily restricted		380,369
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Total net assets 876,294

Total liabilities and net assets \$ 1,169,440

See notes to financial statements.

## NET IMPACT

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Sponsorships and corporate	\$ 45,809	\$ 710,000	\$ 755,809
Conference	496,706	-	496,706
Grants	-	319,655	319,655
Project revenue	235,360	-	235,360
Membership dues	217,446	-	217,446
Expo	74,265	-	74,265
Other income	59,348	-	59,348
Chapter dues	47,025	-	47,025
Individual philanthropy	39,053	-	39,053
In-kind contributions	25,363	-	25,363
Job Board revenue	19,630	-	19,630
Interest, dividends, gains and losses	3,082	-	3,082
	<u>1,263,087</u>	<u>1,029,655</u>	<u>2,292,742</u>
Total revenue and support			
Net assets released from restrictions	<u>1,077,379</u>	<u>(1,077,379)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>2,340,466</u>	<u>(47,724)</u>	<u>2,292,742</u>
EXPENSES:			
Program services	1,760,198	-	1,760,198
General and administrative	363,867	-	363,867
Fundraising	218,544	-	218,544
	<u>2,342,609</u>	<u>-</u>	<u>2,342,609</u>
Total expenses			
CHANGE IN NET ASSETS	<u>(2,143)</u>	<u>(47,724)</u>	<u>(49,867)</u>
NET ASSETS, BEGINNING OF YEAR,	<u>498,068</u>	<u>428,093</u>	<u>926,161</u>
NET ASSETS, END OF YEAR	<u>\$ 495,925</u>	<u>\$ 380,369</u>	<u>\$ 876,294</u>

See notes to financial statements.

## NET IMPACT

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2011

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	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,182,271	\$ 239,279	\$ 157,715	\$ 1,579,265
Conference expenses	254,867	-	-	254,867
Occupancy and operating	109,198	70,283	35,642	215,123
Consulting and professional	87,494	33,712	8,388	129,594
Partnership expenses	53,402	-	10,000	63,402
Information technology	47,844	3,787	5,651	57,282
Depreciation	8,911	1,785	1,148	11,844
Other program expenses	16,211	-	-	16,211
Other administrative expenses	-	15,021	-	15,021
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 1,760,198	\$ 363,867	\$ 218,544	\$ 2,342,609

See notes to financial statements.

## NET IMPACT

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

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#### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (49,867)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	11,844
Deferred rent	32,628
Unrealized gain on investment	(242)
In-kind contributed property and equipment	(25,363)
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable, net	77,124
Prepaid expenses	(24,827)
Accounts payable and accrued liabilities	(4,211)
Deferred revenue	(41,264)
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Net cash used in operating activities	(24,178)

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Return of deposits	10,390
Purchase of property and equipment	(66,496)
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Net cash used in investing activities	(56,106)

NET CHANGE IN CASH AND CASH EQUIVALENTS (80,284)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 923,096

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 842,812

See notes to financial statements.

# NET IMPACT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### 1. ORGANIZATION

**Nature of Operation** - Net Impact's (the "Organization") mission is to inspire, educate and equip individuals to use the power of business to create a more socially and environmentally sustainable world. Our programming helps 20,000+ members in nearly 280 chapters worldwide transform their careers to make a net impact that benefits not just the bottom line - but people and the planet, too.

What we do:

- We educate students (college and graduate) and professionals, helping them discover how business careers can be used for good
- We connect change makers online and in person, through thousands of local events and our annual Net Impact conference
- We support real-world impact, helping members develop and apply their skills to create social and environmental change on campus and in the workplace

Net Impact's programming includes:

- One of the most dynamic and inspiring annual conferences covering sustainable business issues, drawing over 2,500 dedicated attendees
- 2,000+ local chapter events a year
- Career services, including our online job board and original publications
- Programs and competitions that provide valuable hands-on experience for students
- Programming for professionals looking to catalyze change in the workplace

The Organization had an initial audit performed on these financial statements for the year ended June 30, 2011. The Organization anticipates comparative audited financial statements in subsequent years.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting and Financial Statement Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The statements of financial position and of activities report total assets, liabilities, net assets and changes in net assets in accordance with the principles of net assets accounting. Accordingly, all financial transactions have been recorded and reported by net assets group as follows:

#### Unrestricted

Generally unrestricted net assets result from revenues in providing services, receiving unrestricted contributions, and receiving dividends or interest from investing in income producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

### Temporarily Restricted

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At June 30, 2011, the Organization has no permanently restricted net assets.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents are all highly liquid investments with an original maturity of three months or less.

**Investments** - Investments are recorded at fair value, and consist of corporate equities. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statement of activities.

**Accounts Receivable** - Accounts receivable are recorded at the value of the revenue earned and require payment within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent account receivable do not accrue interest. The Organization continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Organization regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. The Organization had an allowance for doubtful accounts of approximately \$500 at June 30, 2011.

**Property and Equipment** - Property and equipment is stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

## **Revenue Recognition -**

### Contributions

Contributions are recognized as revenue in the period unconditionally promised or received. Net Impact reports contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's unrestricted net assets.

### Project revenue

Net Impact recognizes earned revenue for partnerships services, which include competitions, projects, and internship programs run for partner organizations. Revenue is recognized monthly over the life of the contract. Fees collected prior to services being performed are reported as deferred revenue on the statement of financial position.

### Membership dues

Annual membership dues are recognized monthly over a one year (12 month) period from the date of membership.

### Chapter dues

Chapter dues are valid for the period of the Organization's fiscal year and are recognized monthly over one year (12 months) from July through June.

### Job Board revenue

Job Board Revenue is recognized upon delivery of the product or services to the customer.

### Conference and Expo

Net Impact hosts its annual conference and Expo in October. Registration fees collected prior to the event are reported as deferred revenue on the statement of financial position, and are recognized as revenue in the month of the events.

### In - kind revenue

#### *Materials*

Donations of materials are recorded at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated materials to a specific purpose. Gifts of long-lived assets are reported as unrestricted support and depreciated over their useful life. Materials donated with explicit restrictions regarding their use are reported as restricted support. The Organization received donated furniture valued at \$25,363 for the year ended June 30, 2011.

## *Services*

Donated services are reported at fair value and recognized as contributions if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Income Taxes** - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, the Organization is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2011. Accordingly, no tax expense was incurred during the year ended June 30, 2011.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions taken for all open tax years. Currently, the 2007 through 2010 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of June 30, 2011.

**Functional Expense Classification** - The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Program costs include activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purpose or mission for which the Organization exists.

Support services include general and administrative costs and fundraising costs. General and administrative costs include oversight, business management, general record keeping, budgeting, financing, and related administrative activities. Fundraising costs include publicizing and conducting corporate sponsorship outreach; writing grant proposals; soliciting individuals; and conducting other activities involved with soliciting contributions.

**Concentrations of Credit Risk** - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization places its cash and cash equivalents with high quality financial institutions. Cash balances exceed federal deposit insurance limits by approximately \$375,000 as of June 30, 2011. The Organization's credit customers consist primarily of members and grantors. The Organization does not require collateral for its accounts receivable.

**Subsequent Events** - Subsequent events have been evaluated through November 3, 2011, which is the date the financial statements were available to be issued.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2011:

Furniture and equipment	\$	65,496
Leasehold improvements		11,115
Database development in progress		58,260
Property and equipment at cost		134,871
Less: Accumulated depreciation		(25,944)
Net property and equipment	\$	<u>108,927</u>

Depreciation expense for the year ended June 30, 2011 was \$11,844.

### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2011:

Business case study competition	\$	70,369
Conference programming		25,000
Career awareness		15,000
Sponsorships for fiscal 2012		270,000
Total	\$	<u>380,369</u>

### 5. RETIREMENT PLAN

The Organization has a defined contribution plan (the "Plan") covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 401(k), *Defined Contribution Retirement Plan*. Under the 401(k) Plan, the Organization provided matches of 100% of participants' contributions to the Plan up to 4% of participants' annual compensation. The Organization contributed \$29,301 to the Plan during the year ended June 30, 2011.

## 6. OPERATING LEASES

Net Impact entered into a non-cancelable rental lease for the location at 150 Spear Street in San Francisco. Rent expense totaled \$120,941 during the year ended June 30, 2011. Rent expense is recognized on a straight line basis over the life of the lease. The lease expires in September 2015. Future minimum lease payments due under the lease are as follows:

<u>Year end</u>	
2012	\$ 115,676
2013	120,934
2014	126,192
2015	131,450
2016	<u>33,191</u>
Total	<u>\$ 527,443</u>