

**NET IMPACT**

**Financial Statements for the Years Ended  
June 30, 2020 and 2019  
and Independent Auditors' Report**

# NET IMPACT

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Net Impact  
Oakland, California

We have audited the accompanying financial statements of Net Impact (a nonprofit organization) (the "Organization") which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2020 and 2019, 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.

## Emphasis of Matter

As discussed in Note 7 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus ("Covid-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

*Harrison & Lane, a.c.*

Pleasanton, California  
March 10, 2021

## NET IMPACT

### STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,178,003	\$ 1,590,650
Accounts receivable	1,680	28,551
Contributions receivable	-	105,000
Prepaid expenses	36,192	69,429
Total current assets	1,215,875	1,793,630
Deposits	79,198	79,198
Property and equipment, net	50,340	73,500
Total assets	<u>\$ 1,345,413</u>	<u>\$ 1,946,328</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 136,003	\$ 272,381
Deferred program service revenue	80,958	105,606
Refundable advances	623,128	-
Total current liabilities	840,089	377,987
Deferred rent	115,202	137,474
Total liabilities	<u>955,291</u>	<u>515,461</u>
NET ASSETS:		
Without donor restrictions	234,088	848,113
With donor restrictions	156,034	582,754
Total net assets	<u>390,122</u>	<u>1,430,867</u>
Total liabilities and net assets	<u>\$ 1,345,413</u>	<u>\$ 1,946,328</u>

See notes to financial statements.

## NET IMPACT

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 35,500	\$ 2,663,883	\$ 2,699,383
Program services	364,242	-	364,242
Conference	362,053	-	362,053
Lease income	72,886	-	72,886
Job Board	34,758	-	34,758
Advertising	10,850	-	10,850
Chapter dues	40,250	-	40,250
Individual philanthropy	12,615	-	12,615
Interest, dividends, gains and losses	2,134	-	2,134
Total revenue and support	<u>935,288</u>	<u>2,663,883</u>	<u>3,599,171</u>
Net assets released from restrictions	<u>3,090,603</u>	<u>(3,090,603)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>4,025,891</u>	<u>(426,720)</u>	<u>3,599,171</u>
EXPENSES:			
Program services	3,808,490	-	3,808,490
General and administrative	300,802	-	300,802
Fundraising	530,624	-	530,624
Total expenses	<u>4,639,916</u>	<u>-</u>	<u>4,639,916</u>
CHANGE IN NET ASSETS	<u>(614,025)</u>	<u>(426,720)</u>	<u>(1,040,745)</u>
NET ASSETS, BEGINNING OF YEAR,	<u>848,113</u>	<u>582,754</u>	<u>1,430,867</u>
NET ASSETS, END OF YEAR	<u>\$ 234,088</u>	<u>\$ 156,034</u>	<u>\$ 390,122</u>

See notes to financial statements.

## NET IMPACT

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 3,500	\$ 3,230,504	\$ 3,234,004
Program services	748,745	-	748,745
Conference	322,165	-	322,165
Lease income	68,359	-	68,359
Job Board	41,450	-	41,450
Individual philanthropy	29,945	-	29,945
Chapter dues	35,590	-	35,590
Advertising	36,500	-	36,500
Membership dues	650	-	650
Interest, dividends, gains and losses	2,177	-	2,177
Total revenue and support	<u>1,289,081</u>	<u>3,230,504</u>	<u>4,519,585</u>
Net assets released from restrictions	<u>3,140,412</u>	<u>(3,140,412)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>4,429,493</u>	<u>90,092</u>	<u>4,519,585</u>
EXPENSES:			
Program services	3,643,831	-	3,643,831
General and administrative	428,070	-	428,070
Fundraising	434,501	-	434,501
Total expenses	<u>4,506,402</u>	<u>-</u>	<u>4,506,402</u>
CHANGE IN NET ASSETS	<u>(76,909)</u>	<u>90,092</u>	<u>13,183</u>
NET ASSETS, BEGINNING OF YEAR,	<u>925,022</u>	<u>492,662</u>	<u>1,417,684</u>
NET ASSETS, END OF YEAR	<u>\$ 848,113</u>	<u>\$ 582,754</u>	<u>\$ 1,430,867</u>

See notes to financial statements.

## NET IMPACT

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

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	Program	Support Services		Total
		General and administrative	Fundraising	
Personnel	\$ 1,623,879	\$ 209,109	\$ 399,372	\$ 2,232,360
External venues and food/beverage	653,113	40	11,791	664,944
Consulting and professional services	433,453	50,405	44,577	528,435
Occupancy and operating	302,407	35,962	62,247	400,616
Prizes and campaigns	381,251	-	-	381,251
Marketing	217,187	46	88	217,321
Information technology	114,760	2,949	5,977	123,686
Travel	65,473	163	2,507	68,143
Depreciation	16,967	2,128	4,065	23,160
Total	<u>\$ 3,808,490</u>	<u>\$ 300,802</u>	<u>\$ 530,624</u>	<u>\$ 4,639,916</u>

See notes to financial statements.



## NET IMPACT

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

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	Program	Support Services		Total
		General and administrative	Fundraising	
Personnel	\$ 1,753,464	\$ 290,026	\$ 325,978	\$ 2,369,468
External venues and food/beverage	544,976	-	2,463	547,439
Consulting and professional services	345,127	86,618	47,663	479,408
Occupancy and operating	295,699	43,174	45,886	384,759
Prizes and campaigns	354,918	-	-	354,918
Marketing	210,454	230	258	210,942
Travel	75,365	1,140	3,789	80,294
Information technology	44,303	3,652	4,834	52,789
Depreciation	19,525	3,230	3,630	26,385
Total	<u>\$ 3,643,831</u>	<u>\$ 428,070</u>	<u>\$ 434,501</u>	<u>\$ 4,506,402</u>

See notes to financial statements.

## NET IMPACT

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,040,745)	\$ 13,183
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	23,160	26,385
Amortization of deferred rent	(22,272)	(13,909)
Changes in assets and liabilities that provided (used) cash:		
Accounts and contributions receivable	131,871	67,999
Prepaid expenses	33,237	89,398
Accounts payable and accrued liabilities	(136,378)	190,753
Deferred program service revenue	(24,648)	(14,503)
Refundable advances	623,128	-
	<u>(412,647)</u>	<u>359,306</u>
Net cash (used in) provided by operating activities		
	(412,647)	359,306
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(412,647)	359,306
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,590,650</u>	<u>1,231,344</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,178,003</u>	<u>\$ 1,590,650</u>

See notes to financial statements.

# NET IMPACT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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### 1. ORGANIZATION

**Nature of Operation** - Net Impact (the “Organization”) inspires and equips emerging leaders to build a more just and sustainable world. Today’s students and emerging professionals will bring positive change to the world’s most pressing challenges. Net Impact is a leadership accelerator for these future change makers. Our programs help new leaders broaden their thinking, build their networks, and scale their impact beyond just individual actions. Simple ideas become powerful initiatives with real impact. In addition, the annual Net Impact Conference is renowned as a premier inspirational gathering for next-generation leaders who want to transform the world. With more than 400 chapters in nearly 50 countries, the Net Impact network is a diverse and determined force for good. Their local actions create ripples that reach tens of thousands of individuals and make an impact on some of the most pressing issues of our time.

What we do:

- We support a global network made up of local chapters on university campuses, in cities, and in companies.
- We run programs, campaigns and events with and through our chapter network that help people to build leadership skills and experiences, and establish a network of allies to help them make a lifelong impact.
- We hold a world-class annual conference each year that brings our community, and others, together to get inspired, get networked, and get activated.

Net Impact’s programming includes:

- One of the most dynamic and inspiring annual conferences covering sustainable business issues, drawing more than 1,500 dedicated attendees.
- More than 4,000 local chapter events a year.
- Career Services, including our online job board.
- Programs and competitions that provide valuable hands-on experience and leadership skills for students and young professionals.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

**Classification of Net Assets** - The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net asset without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions.

**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.

**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 accounts 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 believes all accounts receivable are collectible; therefore, no allowance for doubtful accounts has been provided.

**Contributions Receivable** - Unconditional promises to give are recognized as support and assets in the period unconditionally pledged. The Organization believes all unconditional promises to give are collectible; therefore, no allowance for doubtful accounts has been provided.

**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 \$1,500 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. The Organization reports contributions in net assets with restrictions 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 net assets with restrictions, 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 net assets without restrictions. Cash received before conditions of contributions are met are deferred and presented as refundable advances on the statements of financial position.

### Program services

The Organization recognizes exchange transactions from program service revenue when earned, which includes competitions, internship programs, and other projects run for partner organizations. Generally, exchange revenue is recognized monthly over the life of the contract. Exchange revenue from cost reimbursement contracts is recognized as related expenses are incurred. Fees collected prior to services being performed are reported as deferred revenue on the statement of financial position.

### 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

The Organization hosts an annual conference and expo. Registration fees collected prior to the events are reported as deferred revenue on the statement of financial position, and are recognized as revenue in the month of the events.

### Advertising

The Organization recognizes advertising revenue when earned, primarily through communications posted in e-newsletters and targeted emails. Advertising content is either substantially related or contributes importantly to the purpose of promoting forward-thinking business and nonprofits to engage in meaningful ways with next generation leaders. Accordingly, advertising revenue is not considered an unrelated business activity, and no tax expense was incurred for this activity in 2020 or 2019, respectively.

### 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.

#### *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.

**Marketing** - Marketing costs are charged to expense as incurred. Marketing expense totaled \$217,321 and \$210,942 during the years ended June 30, 2020 and 2019, respectively.

**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 2020 or 2019, respectively. Accordingly, no tax expense was incurred during either year.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions taken for all open tax years. In management's judgment there are no uncertain tax positions as of June 30, 2020.

**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 and 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 exceeded federal deposit insurance limits by approximately \$929,200 as of June 30, 2020. One donor accounted for 63% of total revenue and support during the year ended June 30, 2020.

**Change in Accounting Principle** - During 2020, the Organization adopted the Financial Accounting Standards Board’s Accounting (“FASB”) Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it provides new criteria to determine whether a contribution is conditional or unconditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

**Subsequent Events** - Subsequent events have been evaluated through March 10, 2021, 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, 2020 and 2019, respectively:

	2020	2019
Furniture and equipment	\$ 103,425	\$ 103,425
Leasehold improvements	98,427	98,427
Database and website	400,315	400,315
Property and equipment at cost	602,167	602,167
Less: Accumulated depreciation	(551,827)	(528,667)
Net property and equipment	\$ 50,340	\$ 73,500

Depreciation expense was \$23,160 and \$26,385 for the years ended June 30, 2020 and 2019, respectively.

### 4. REFUNDABLE ADVANCES

In May 2020, the Organization obtained a forgivable loan under the U.S. Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”). The loan proceeds of \$444,200 are included with refundable advances on the statements of financial position in accordance with FASB’s Accounting Standards Codification Topic 958-605 *Not-For-Profit Entities - Revenue Recognition*. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, maintains its payroll levels, and obtains formal forgiveness from the SBA. Funds not used for allowable expenses are repayable, and accrue interest at 1% annually. The Organization believes all conditions will be met in fiscal 2021.

## 5. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Sponsorships for future years	\$ 122,284	\$ 250,000
Program	<u>33,750</u>	<u>332,754</u>
Total net assets with restrictions	<u>\$ 156,034</u>	<u>\$ 582,754</u>

## 6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at June 30, 2020 consisted of the following:

Cash and cash equivalents	\$ 1,178,003
Accounts and contributions receivable, net	<u>1,680</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,179,683</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 90 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. As of June 30, 2020, the level of liquidity was within the policy requirements.

## 7. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus (“Covid-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Covid-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered.



Impacts to the Organization’s operations include disruptions and restrictions on employee’s ability to work. While the disruption from Covid-19 is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate financial impact. It is at least reasonably possible that this matter will negatively impact the Organization. However, the final impact and duration cannot be reasonably estimated at this time.

## 8. 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 may provide a discretionary contribution on behalf of the participants. The Organization contributed \$40,368 and \$50,395 to the Plan during the years ended June 30, 2020 and 2019, respectively.

## 9. OPERATING LEASES

The Organization leases office space at 1333 Broadway in Oakland, California. Rent expense including related overhead charges totaled \$320,125 and \$290,349 during the years ended June 30, 2020 and 2019, respectively. Rent expense is recognized on a straight-line basis over the life of the lease. The Organization’s Oakland lease expires in May 2023. Future minimum cash payments due under the lease are as follows:

<u>Year end June 30,</u>	
2021	\$ 295,707
2022	304,578
2023	<u>287,316</u>
Total	<u>\$ 887,601</u>

The Organization entered into a sublease for a portion of the office space described above. Rent income and overhead charges totaled \$72,886 and \$68,359 during the years ended June 30, 2020 and 2019, respectively. The Organization’s sub-lease expires in June 2021. Future minimum cash receipts due under the lease total \$55,657 for the year ended June 2021.