

SOCIAL IMPACT COMMONS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2020 AND 2019

TOGETHER WITH

INDEPENDENT ACCOUNTANT'S

REVIEW REPORT

SOCIAL IMPACT COMMONS

JUNE 30, 2020 AND 2019

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Independent Accountant's Review Report

To: The Board of Directors
Social Impact Commons
Philadelphia, PA

Report on the Financial Statements

We have reviewed the accompanying financial statements of **Social Impact Commons** (a non-profit 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with **Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA**. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United State of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Kenji, Bernardi, Puzo & Co

Cherry Hill, NJ
February 24, 2021

SOCIAL IMPACT COMMONS
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-----------------------|-----------------------|
| Cash | \$ 378,286 | \$ 359,727 |
| Accounts receivable | <u>14,320</u> | <u>7,683</u> |
| Total assets | <u>\$ 392,606</u> | <u>\$ 367,410</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable | \$ 1,125 | \$ 49,832 |
| PPP advance | <u>41,812</u> | <u>-</u> |
| Total liabilities | <u>42,937</u> | <u>49,832</u> |
| Net assets | | |
| Without donor restrictions | 116,375 | 101,856 |
| With donor restrictions | <u>233,294</u> | <u>215,722</u> |
| Total net assets | <u>349,669</u> | <u>317,578</u> |
| Total liabilities and net assets | <u>\$ 392,606</u> | <u>\$ 367,410</u> |

See independent accountant's review report and accompanying notes.

SOCIAL IMPACT COMMONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| <u>REVENUE AND SUPPORT</u> | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|-------------------|
| Grant income | \$ - | \$ 400,000 | \$ 400,000 |
| Member income - related party | | | |
| Consulting revenues | 50,324 | - | 50,324 |
| Licensing revenue | 33,312 | - | 33,312 |
| Other | 167 | - | 167 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>382,428</u> | <u>(382,428)</u> | <u>-</u> |
| Total revenue and support | <u>466,231</u> | <u>17,572</u> | <u>483,803</u> |
| <u>EXPENSES</u> | | | |
| Program services | <u>390,770</u> | <u>-</u> | <u>390,770</u> |
| Supporting services | | | |
| Management | 45,427 | - | 45,427 |
| Fundraising | <u>15,515</u> | <u>-</u> | <u>15,515</u> |
| Total supporting services | <u>60,942</u> | <u>-</u> | <u>60,942</u> |
| Total expenses | <u>451,712</u> | <u>-</u> | <u>451,712</u> |
| Changes in net assets | 14,519 | 17,572 | 32,091 |
| Net assets, beginning of fiscal year | <u>101,856</u> | <u>215,722</u> | <u>317,578</u> |
| Net assets, end of fiscal year | <u>\$ 116,375</u> | <u>\$ 233,294</u> | <u>\$ 349,669</u> |

See independent accountant's review report and accompanying notes.

SOCIAL IMPACT COMMONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| <u>REVENUE AND SUPPORT</u> | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|-------------------|
| Grant income | \$ - | \$ 450,000 | \$ 450,000 |
| Member income - related party: | | | |
| Consulting revenues | 73,496 | - | 73,496 |
| Membership fees | 22,413 | - | 22,413 |
| Licensing revenue | 22,086 | - | 22,086 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>234,278</u> | <u>(234,278)</u> | <u>-</u> |
| Total revenue and support | <u>352,273</u> | <u>215,722</u> | <u>567,995</u> |
| <u>EXPENSES</u> | | | |
| Program services | <u>287,522</u> | <u>-</u> | <u>287,522</u> |
| Supporting services | | | |
| Management | 43,764 | - | 43,764 |
| Fundraising | <u>16,139</u> | <u>-</u> | <u>16,139</u> |
| Total supporting services | <u>59,903</u> | <u>-</u> | <u>59,903</u> |
| Total expenses | <u>347,425</u> | <u>-</u> | <u>347,425</u> |
| Changes in net assets | 4,848 | 215,722 | 220,570 |
| Net assets, beginning of fiscal year | <u>97,008</u> | <u>-</u> | <u>97,008</u> |
| Net assets, end of fiscal year | <u>\$ 101,856</u> | <u>\$ 215,722</u> | <u>\$ 317,578</u> |

See independent accountant's review report and accompanying notes.

SOCIAL IMPACT COMMONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | Supporting Services | | Total |
|------------------------------|---------------------|---------------------|------------------|-------------------|
| | | Management | Fundraising | |
| Salaries | \$ 184,306 | \$ 21,941 | \$ 13,164 | \$ 219,411 |
| Payroll taxes | 14,464 | 1,722 | 1,033 | 17,219 |
| Employee benefits | 11,911 | 1,418 | 851 | 14,180 |
| Total personnel costs | 210,681 | 25,081 | 15,048 | 250,810 |
| Program costs: | | | | |
| Finance/legal supports | 41,530 | 7,688 | - | 49,218 |
| General consulting | 6,525 | - | - | 6,525 |
| Grants awarded | 60,000 | - | - | 60,000 |
| Software/licensing | 53,911 | - | - | 53,911 |
| Event fees and other | 4,896 | - | - | 4,896 |
| Dues and subscriptions | - | 4,658 | - | 4,658 |
| Insurance | - | 3,358 | - | 3,358 |
| Office expenses | - | 2,445 | - | 2,445 |
| Professional fees | 8,720 | - | - | 8,720 |
| Travel | 4,507 | 2,197 | 467 | 7,171 |
| Total other expenses | 180,089 | 20,346 | 467 | 200,902 |
| Total expenses | \$ 390,770 | \$ 45,427 | \$ 15,515 | \$ 451,712 |

See independent accountant's review report and accompanying notes.

SOCIAL IMPACT COMMONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | Supporting Services | | Total |
|------------------------------|---------------------|---------------------|------------------|-------------------|
| | | Management | Fundraising | |
| Salaries | \$ 80,849 | \$ 23,779 | \$ 14,268 | \$ 118,896 |
| Payroll taxes | 6,792 | 1,998 | 1,198 | 9,988 |
| Employee benefits | 881 | 259 | 155 | 1,295 |
| Total personnel costs | 88,522 | 26,036 | 15,621 | 130,179 |
| Program costs: | | | | |
| Accounting/finance | 92,454 | 3,000 | - | 95,454 |
| General consulting | 57,357 | - | - | 57,357 |
| Software/licensing | 41,402 | - | - | 41,402 |
| Dues and subscriptions | - | 2,645 | - | 2,645 |
| Insurance | - | 784 | - | 784 |
| Legal | - | 9,223 | - | 9,223 |
| Office expenses | 1,943 | 518 | 129 | 2,590 |
| Travel | 4,976 | 1,327 | 331 | 6,634 |
| Total other expenses | 199,000 | 17,728 | 518 | 217,246 |
| Total expenses | \$ 287,522 | \$ 43,764 | \$ 16,139 | \$ 347,425 |

See independent accountant's review report and accompanying notes.

SOCIAL IMPACT COMMONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Changes in net assets | \$ 32,091 | \$ 220,570 |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | |
| (Increase) in: | | |
| Accounts receivable | (6,636) | (7,683) |
| Increase (decrease) in: | | |
| Accounts payable | <u>(48,708)</u> | <u>49,552</u> |
| Net cash (used in) provided by operating activities | <u>(23,253)</u> | <u>262,439</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds from PPP advance | <u>41,812</u> | <u>-</u> |
| Net cash provided by financing activities | <u>41,812</u> | <u>-</u> |
| Net increase in cash | 18,559 | 262,439 |
| Cash, beginning of fiscal year | <u>359,727</u> | <u>97,288</u> |
| Cash, end of fiscal year | <u>\$ 378,286</u> | <u>\$ 359,727</u> |

See independent accountant's review report and accompanying notes.

SOCIAL IMPACT COMMONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PROGRAMS AND ACTIVITIES

Social Impact Commons (“Impact Commons”) is a non-profit charitable organization dedicated to providing communities with structures and systems for equitable access to the resources needed to build a just and flourishing society. Impact Commons is an incubator and shared service provider to fiscal sponsor organizations that practice “Model A” comprehensive fiscal sponsorship, along with other integrated supports, a model of non-profit support they have termed “management commons”. Impact Commons currently maintains two classes of Members, Founding and Network Members. CultureWorks Greater Philadelphia (“CultureWorks”) is the sole Founding Member, while there are several potential Network Members. Impact Commons is governed by a Board of Directors appointed by its Founding and Network Members.

In keeping with the purpose of a supporting organization, Impact Commons provides to its members essential shared resources that would otherwise be challenging for them to procure individually. These supports include core management tools, practices, policies and systems, such as cloud-based technology, human resources training and support, impact metrics, performance assessment support, access to shared capital resources, and common legal instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below.

Basis of 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 of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions

Net assets that are not subject to donor restrictions may be expended for any purpose in performing the primary objectives of Impact Commons. These net assets may be used at the discretion of Impact Commons’ management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Impact Commons or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

SOCIAL IMPACT COMMONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Change in Accounting Principle

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU will also help an entity evaluate whether contributions are considered to be conditional or unconditional. This standard, which has had minimal impact on Impact Commons' financial statements, was adopted for the fiscal year ending June 30, 2020.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor-restricted support that increases that net asset class.

All of Impact Commons' expenses, including expenses relating to assets previously included among net assets with donor restrictions, are decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Impact Commons considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Impact Commons is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Impact Commons is considered a Type 1 supporting organization by the Internal Revenue Service. A Type 1 supporting organization is limited to operating exclusively for the benefit of, performing the functions of, or carrying out the purposes of, one or more public charities.

Management has adopted the accounting standard, "Accounting for Uncertainty in Income Taxes." This standard clarifies the accounting and reporting for uncertainties in income tax positions taken or expected to be taken in filings with taxing jurisdictions, using minimum recognition and measurement thresholds.

SOCIAL IMPACT COMMONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Management has reviewed tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. Tax filings are subject to examination, generally for three years after they are filed.

Should settlement of an examination or other event result in a change in management's evaluation of a tax position taken or expected to be taken in filings that have not been closed by statute or examination, any interest and penalties related to the unrecognized tax benefit as a result of the uncertain tax position would be included in interest expense and administrative expense, respectively.

Allocation of Functional Expenses

Directly identifiable expenses are charged to program services, management, and fundraising. Management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Impact Commons.

Recently Issued Accounting Standard Updates Not Presently Effective

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2022 and later. Impact Commons is currently in the process of evaluating the impact of adoption of this ASU on their financial statements.

3. LIQUIDITY AND AVAILABILITY

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Total financial assets | \$ 392,606 | \$ 367,410 |
| Donor-imposed restrictions: | | |
| Restricted funds | <u>(233,294)</u> | <u>(215,722)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 159,312</u> | <u>\$ 151,688</u> |

SOCIAL IMPACT COMMONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. LIQUIDITY AND AVAILABILITY (CONT'D)

Impact Commons manages its liquidity by operating within a prudent range of financial soundness and stability by maintaining adequate liquid assets to fund near-term operating needs. In addition to these available financial assets, a significant portion of Impact Commons' annual expenditures will be funded by current-year operating revenues including contributions, grants, and program income.

4. CONCENTRATION RISKS

Over 79% of Impact Commons' revenue for the year ended June 30, 2019 consisted of grants from a single donor, while over 82% of Impact Commons' revenue for the year ended June 30, 2020 consisted of grants from a different single donor. But as with any start-up organization, revenue streams seem to diversify a bit every year, with institutional members continuing to play a large role until Network Member-supported organizations can provide more robust direct contributions for the services they receive.

5. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, Impact Commons recognized revenue of \$56,575 and \$117,995, respectively, for services provided to CultureWorks, which is both the Founding Member, and affiliated through common management.

6. DONOR-RESTRICTED NET ASSETS

Impact Commons had \$233,294 and \$215,722 of purpose-restricted net assets at June 30, 2020 and 2019, respectively.

7. PPP LOAN ADVANCE

Impact Commons received a Paycheck Protection Program loan advance in the amount of \$41,812. Pursuant to the terms of the CARES Act, Impact Commons intends to apply for the loan to be forgiven by the Small Business Administration in whole or in part. In the event the loan is not forgiven in whole, payments of principal and interest will be required.

8. SUBSEQUENT EVENTS

In preparing these financial statements, management of Impact Commons has evaluated events and transactions for potential recognition or disclosure through February 24, 2021, the date the financial statements were available to be issued.

The novel coronavirus and the subsequent forced closures could have a material adverse effect upon Impact Commons' financial position, results of operations, and cash flows. There is uncertainty surrounding the current situation and the effect cannot be estimated at this time. At the present time there has been no adverse impact upon Impact Commons.

SOCIAL IMPACT COMMONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. SUBSEQUENT EVENTS (CONT'D)

Impact Commons had no other significant or material subsequent events through February 24, 2021.