

S U Z A N N E R O B I N S O N H E A L Y

C E R T I F I E D P U B L I C A C C O U N T A N T

SOCIAL IMPACT FUND
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
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CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-11

INDEPENDENT AUDITOR'S REPORT

March 1, 2016

Board of Directors
Social Impact Fund
Los Angeles, California

I have audited the financial statements of Social Impact Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity's internal control. Accordingly, I 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.

Board of Directors
Social Impact Fund
Page Two

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social Impact Fund as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountant
Concord, CA

SOCIAL IMPACT FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes B & C)	\$ (801)	\$ 713,740	\$ 712,939
Grants receivable	-	675,000	675,000
Investments (Note D)	-	772,745	772,745
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ (801)</u>	<u>\$ 2,161,485</u>	<u>\$ 2,160,684</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 45,347	\$ -	\$ 45,347
Line of credit (Note F)	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>45,347</u>	<u>-</u>	<u>45,347</u>
COMMITMENTS AND CONTINGENCIES (Note H)			
NET ASSETS			
Unrestricted	(46,148)	-	(46,148)
Temporarily restricted (Note G)	-	2,161,485	2,161,485
	<u> </u>	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>(46,148)</u>	<u>2,161,485</u>	<u>2,115,337</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ (801)</u>	<u>\$ 2,161,485</u>	<u>\$ 2,160,684</u>

See Notes to Financial Statements

SOCIAL IMPACT FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Support:			
Foundation	\$ -	\$ 1,293,189	\$ 1,293,189
Donation and contributions	111	1,154,531	1,154,642
Total Support	<u>111</u>	<u>2,447,720</u>	<u>2,447,831</u>
Revenue:			
Campaigns	-	74,805	74,805
Events	-	774,916	774,916
Management fees	102,030	-	102,030
Merchandise sales	4,212	-	4,212
Interest and dividends	20,291	-	20,291
Unrealized loss	(24,024)	-	(24,024)
Realized loss	(4,449)	-	(4,449)
Total Revenue	<u>98,060</u>	<u>849,721</u>	<u>947,781</u>
Net assets released from restriction	<u>2,799,643</u>	<u>(2,799,643)</u>	<u>-</u>
Total Revenue and Support	<u>2,897,814</u>	<u>497,798</u>	<u>3,395,612</u>
EXPENDITURES			
Program Services	2,803,853		2,803,853
Administrative Services	145,791		145,791
Total Expenses	<u>2,949,644</u>	<u>-</u>	<u>2,949,644</u>
Increase <decrease> in net assets	(51,830)	497,798	445,968
NET ASSETS, beginning of year	<u>5,682</u>	<u>1,663,687</u>	<u>1,669,369</u>
NET ASSETS, end of year	<u>\$ (46,148)</u>	<u>\$ 2,161,485</u>	<u>\$ 2,115,337</u>

See Notes to Financial Statements

SOCIAL IMPACT FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Administrative Services	Total
EXPENSES:			
Grants paid	\$ 1,068,025	\$ -	\$ 1,068,025
Professional services	335,397	-	335,397
Film production	314,757	-	314,757
Creative Director	209,333	-	209,333
Event production	160,049	-	160,049
Program management	160,000	-	160,000
Contracted services	129,522	7,500	137,022
Fiscal sponsorship fee	102,030	-	102,030
Program and Policy Director	60,000	-	60,000
Accounting services	200	53,025	53,225
Travel	42,542	940	43,482
Digital and video content	40,000	-	40,000
Management services	-	37,163	37,163
Website maintenance	35,480	99	35,579
Brand logo ID and design	34,806	-	34,806
Legal expenses	8,964	17,899	26,863
Create shorts	23,030	-	23,030
Social media	22,000	-	22,000
Listening and learning tour	17,550	-	17,550
Miscellaneous expenses	12,367	205	12,572
Merchant and bank fees	7,795	2,059	9,854
Investment fees	-	8,902	8,902
Insurance	258	7,966	8,224
Training and seminars	8,075	-	8,075
State filing fees	-	8,036	8,036
Meetings, conferences & events	6,339	259	6,598
Office expenses	3,618	-	3,618
Merchandise and product costs	1,425	-	1,425
Donor snap	-	948	948
Postage and shipping	70	790	860
Domain purchase	221	-	221
	<u>\$ 2,803,853</u>	<u>\$ 145,791</u>	<u>\$ 2,949,644</u>

See Notes to Financial Statements

SOCIAL IMPACT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING	
ACTIVITIES:	
Change in net assets	\$ 445,968
Unrealized loss	24,024
CHANGES IN ASSETS AND LIABILITIES:	
Accounts receivable	(520,000)
Prepaid expenses	1,961
Accounts payable and accrued expenses	<u>(19,687)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(67,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment purchases	<u>(62,488)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(62,488)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(130,222)
CASH AND CASH EQUIVALENTS, beginning of year	<u>843,161</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 712,939</u></u>

See Notes to Financial Statements

SOCIAL IMPACT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE A – GENERAL

Operations

Social Impact Fund (the Organization) is a California nonprofit public benefit corporation, founded in 2013 with its principal office in the state of California. The Organization provides a legal structure under which charitable programs may operate, or acts as fiscal sponsor for groups waiting on IRS 501(c)(3) determination. The sponsored programs work to advance social good and make a positive difference in the world-at-large. During the year ended December 31, 2014, the Organization began operations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual basis of accounting, which recognizes income in the period earned and expense when incurred, regardless of the timing of payments.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Statement Presentation

The Financial Accounting Standards Board under ASC 958 requires the Organization to report information regarding its financial position and activities for three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2015 the Organization had no permanently restricted net assets.

SOCIAL IMPACT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Under ASC 958, contributions and grants received are recorded as unrestricted or temporarily restricted depending on the existence and nature of grantor restrictions. Contributions and grants are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished or a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Accounting principles generally accepted in the United States of America require that contributions be recorded at the present value of the estimated future cash flows. However, the effect of not recording the contributions at the present value of the estimated future cash flows is not materially different from the result that would have been obtained had the contribution been recorded at the present value of the estimated future cash flows.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts and in time deposits with a maturity of three months or less as well as cash on hand. The Organization may occasionally maintain cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. The Organization has not experienced any losses in such accounts and believes that it is not currently exposed to any significant risks of loss.

Fair Value Measurements

The Organization's financial instruments measured at fair value include investments. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

SOCIAL IMPACT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

Level 2—Observable inputs other than Level 1, which quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Organization measured the fair value of investments using Level 1 and Level 2 inputs (See Note D).

Income Tax Status

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code, respectively.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's tax returns for the years ended December 31, 2014 and 2013 are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Functional Allocation of Expenses

The costs for providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE C – CONCENTRATIONS

Accounts receivable at December 31, 2015 are due from two funders (74% and 26%). Collection of these funds is expected. No allowance for doubtful accounts has been accrued by the Organization.

At December 31, 2015, the Organization had \$536,533 in financial institutions exceeding insured limits. The liquidity of the institutions is monitored by management.

SOCIAL IMPACT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE D – INVESTMENTS

The Organization invests its money in money market accounts, certificates of deposit, and exchange traded funds with a financial institution. The investments are shown at fair market value as of December 31, 2015:

Description	Total	Level 1	Level 2
Money Market	\$ 11,352	\$ 11,352	\$ 0
Certificates of Deposit	224,995	-	224,995
Exchange Traded Funds	536,398	536,398	-
Total	\$ 772,745	\$ 547,750	\$ 224,995

The unrealized loss of \$24,024 is included in the accompanying statement of activities.

Investments activity consists of the following:

Beginning balance	\$ 734,281
Total unrealized and realized losses	(28,472)
Interest and dividends	19,633
Investment fees	(8,433)
Purchases, sales, issuances and settlements (net)	55,736
Ending Balance at December 31, 2015	\$ 772,745

NOTE E – LOAN PAYABLE

The Organization borrowed \$1,000 from its founder, Mark Daley, during the year ended December 31, 2014. The note did not bear interest and was payable upon demand. The interest, if imputed, would be immaterial to these financial statements taken as a whole. The note was repaid during the year ended December 31, 2015.

NOTE F – PORTFOLIO LOAN ACCOUNT AGREEMENT

The Organization entered into a Portfolio Loan Account Agreement during the year ended December 31, 2015 with Morgan Stanley. Under the terms of the agreement, the Organization could borrow up to \$250,000, bearing an interest rate in stages based on borrowing, from 2.25% up to 5%. The loan payable is secured by the Organization's Morgan Stanley accounts. At December 31, 2015, there was no outstanding balance.

SOCIAL IMPACT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at December 31, 2015 as follows:

Sponsored programs	<u>\$ 2,161,485</u>
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Net assets were released from restriction as follows:

	Balance at December 31, 2014	Awarded	Expended or Released	Balance at December 31, 2015
Sponsored programs	<u>\$1,663,687</u>	<u>\$3,297,441</u>	<u>(\$2,799,643)</u>	<u>\$2,161,485</u>

NOTE H – COMMITMENTS AND CONTIGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE I – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Organization engaged the accounting services of Anick and Associates. The principle of Anick and Associates was a Board member and completed his term On June 30, 2015. The fees paid for accounting services amounted to \$53,025.

During the year ended December 31, 2015, the Organization engaged the management services of Propper Daley, a social impact agency. Two of the principles of Propper Daley were Board members during the year. The fees paid for these services amounted to \$281,347.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through March 1, 2016, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2015 that required recognition or disclosure in the financial statements.