

**H E A L Y   A N D   A S S O C I A T E S**

**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, 2017**  
**(WITH SUMMARIZED INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016)**

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 5, 2018

Board of Directors  
Social Impact Fund  
Los Angeles, California

***Report on the Financial Statements***

I have audited the accompanying financial statements of Social Impact Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 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.

***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.

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

Board of Directors  
Social Impact Fund  
Page Two

***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, 2017, 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.

***Other Matters***

*Report on Summarized Comparative Information*

The Social Impact Fund's 2016 financial statements were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in my report dated March 2, 2017. In my opinion, the summarized information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Healy and Associates*

Healy and Associates  
Concord, California

**SOCIAL IMPACT FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
**(WITH SUMMARIZED INFORMATION AS OF DECEMBER 31, 2016)**

	Unrestricted	Temporarily Restricted	December 31	
			2017	2016
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note B)	\$ 213,266	\$ 2,322,959	\$ 2,536,225	\$ 2,238,278
Grants and accounts receivable (Note C)	110,563	320,882	431,445	815,031
Investments (Note D)	-	812,361	812,361	-
Prepaid expenses	4,212	-	4,212	-
<b>TOTAL ASSETS</b>	<b>\$ 328,041</b>	<b>\$ 3,456,202</b>	<b>\$ 3,784,243</b>	<b>\$ 3,053,309</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 197,862	\$ -	\$ 197,862	144,060
Line of credit (Note E)	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>197,862</b>	<b>-</b>	<b>197,862</b>	<b>144,060</b>
<b>COMMITMENTS AND CONTINGENCIES (Note G)</b>				
<b>NET ASSETS</b>				
Unrestricted	130,179	-	130,179	44,303
Temporarily restricted (Note F)	-	3,456,202	3,456,202	2,864,946
<b>TOTAL NET ASSETS</b>	<b>130,179</b>	<b>3,456,202</b>	<b>3,586,381</b>	<b>2,909,249</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 328,041</b>	<b>\$ 3,456,202</b>	<b>\$ 3,784,243</b>	<b>\$ 3,053,309</b>

**SOCIAL IMPACT FUND**

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>	
			<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE				
Support:				
Foundation	\$ -	\$ 1,977,000	\$ 1,977,000	\$ 3,125,500
Donation and contributions	150	1,565,281	1,565,431	544,178
Total Support	<u>150</u>	<u>3,542,281</u>	<u>3,542,431</u>	<u>3,669,678</u>
Revenue:				
Events	-	960,048	960,048	1,274,935
Management fees and retainers	234,436	-	234,436	219,600
Merchandise sales	-	1,330	1,330	600
Interest and dividends	5,280	-	5,280	11,883
Gain on investments	1,565	-	1,565	32,915
Total Revenue	<u>241,281</u>	<u>961,378</u>	<u>1,202,659</u>	<u>1,539,933</u>
Net assets released from restriction	<u>3,912,403</u>	<u>(3,912,403)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,153,834</u>	<u>591,256</u>	<u>4,745,090</u>	<u>5,209,611</u>
EXPENDITURES				
Program Services	3,912,402	-	3,912,402	4,241,751
Administrative Services	<u>155,556</u>	<u>-</u>	<u>155,556</u>	<u>173,948</u>
Total Expenses	<u>4,067,958</u>	<u>-</u>	<u>4,067,958</u>	<u>4,415,699</u>
Change in Net Assets	85,876	591,256	677,132	793,912
NET ASSETS, beginning of year	<u>44,303</u>	<u>2,864,946</u>	<u>2,909,249</u>	<u>2,115,337</u>
NET ASSETS, end of year	<u>\$ 130,179</u>	<u>\$ 3,456,202</u>	<u>\$ 3,586,381</u>	<u>\$ 2,909,249</u>

See Notes to Financial Statements

**SOCIAL IMPACT FUND**

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Program Services	Administrative Services	Total All Funds	
			2017	2016
EXPENSES:				
Grants paid	\$ 1,151,498	\$ -	\$ 1,151,498	\$ 757,369
Professional services	832,795	-	832,795	711,099
Event production	565,890	-	565,890	609,043
Contracted services	257,898	8,950	266,848	323,902
Fiscal sponsorship fee	234,436	-	234,436	219,600
Social media	111,908	-	111,908	39,614
Travel	91,964	2,263	94,227	131,579
Program management	90,000	-	90,000	267,360
Management services	-	84,000	84,000	75,000
Program expansion	71,978	-	71,978	-
Office rent	62,500	-	62,500	6,000
Meetings, conferences & events	58,473	299	58,772	8,570
Digital and video content	58,675	-	58,675	120,654
Program and Policy Director	54,454	-	54,454	110,433
Accounting services	11,824	34,500	46,324	50,878
Film production	41,200	-	41,200	317,631
Artist fees	40,161	-	40,161	162,490
Website maintenance	34,548	216	34,764	29,485
Creative Director	33,625	-	33,625	114,500
Miscellaneous expenses	29,679	2,315	31,994	45,022
Content	27,219	-	27,219	109,414
Listening and learning tour	23,605	-	23,605	28,463
Public relations	12,823	-	12,823	36,500
State filing fees	150	10,338	10,488	13,172
Insurance	-	6,386	6,386	7,405
Merchant and bank fees	3,683	1,533	5,216	4,654
Brand logo ID and design	3,765	-	3,765	49,429
Legal expenses	1,734	1,660	3,394	17,850
Office expenses	2,716	-	2,716	949
General meeting expenses	1,028	1,118	2,146	1,892
Marketing	1,679	-	1,679	25,537
Postage and shipping	494	862	1,356	5,865
Donor snap	-	1,027	1,027	869
Training and seminars	-	89	89	6,822
Investment fees	-	-	-	6,649
	<u>\$ 3,912,402</u>	<u>\$ 155,556</u>	<u>\$ 4,067,958</u>	<u>\$ 4,415,699</u>

See Notes to Financial Statements

**SOCIAL IMPACT FUND**

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 677,132	\$ 793,912
CHANGES IN ASSETS AND LIABILITIES:		
Accounts receivable	383,586	(140,031)
Prepaid expenses	(4,212)	-
Accounts payable and accrued expenses	53,802	98,713
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,110,308</u>	<u>752,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(812,361)	-
Investment redemptions/conversion to cash	-	772,745
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(812,361)</u>	<u>772,745</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	297,947	1,525,339
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,238,278</u>	<u>712,939</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,536,225</u>	<u>\$ 2,238,278</u>

See Notes to Financial Statements



**SOCIAL IMPACT FUND**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

---

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization maintains its accounting records on the accrual basis.

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

Financial statement presentation follows the guidance of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this standard, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization has no permanently restricted net assets at December 31, 2017.

Revenue Recognition

In accordance with FASB ASC Section 958-605-25, *Not-For-Profit Entities—Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of grantor restrictions. Contributions 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

## **SOCIAL IMPACT FUND**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

---

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 maturities 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, however, it has placed those funds in a financial institution that carries additional insurance up to the maximum of the account balance.

#### 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.

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 during the year using Level 1 and Level 2 inputs (See Note D).

**SOCIAL IMPACT FUND**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

---

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Social Impact Fund has received exempt status under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The Organization has no unrelated business income. Management has analyzed tax positions taken by the Organization and has concluded that, as of December 31, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization's returns 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.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made in the 2016 comparative totals to conform to the classifications used in 2017.

NOTE C – CONCENTRATIONS

Accounts receivable at December 31, 2017 are due primarily from three funders (74%, 17% and 6%). Collection of these funds is expected. No allowance for doubtful accounts has been accrued by the Organization.

**SOCIAL IMPACT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

**NOTE D – INVESTMENTS**

The composition and fair value of investments at December 31, 2017 is as follows:

	Fair Value Measurements Using:	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Short Term Investments</u>		
Corporate bonds	\$ 115,615	\$ -
Certificates of Deposit	-	696,746
Total Investments	<u>\$ 115,615</u>	<u>\$ 696,746</u>

Investments activity consists of the following:

Beginning balance at December 31, 2016	\$ -
Interest and dividends	2,601
Unrealized gains	1,565
Purchases, sales, issuances and settlements (net)	808,195
Ending Balance at December 31, 2017	<u>\$ 812,361</u>

**NOTE E – 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 \$3,000,000, bearing an interest rate in stages based on borrowing, from 4.34% up to 4.56%. The loan payable is secured by the Organization's Morgan Stanley accounts. At December 31, 2017, there was no outstanding balance.

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available at December 31, 2017 as follows:

Sponsored programs	<u>\$ 3,456,202</u>
--------------------	---------------------

Net assets activity for the year ended December 31, 2017 is as follows:

	Balance at December 31, 2016	Awarded	Expended or Released	Balance at December 31, 2017
Sponsored programs	<u>\$2,864,946</u>	<u>\$4,503,659</u>	<u>(\$3,912,403)</u>	<u>\$3,456,202</u>

**SOCIAL IMPACT FUND**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

---

**NOTE G – 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 H – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2017, 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 \$348,527.

**NOTE I – SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition and disclosure through March 5, 2018, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the financial statements.