THE IMPACT FUND
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

December 15, 2023

Board of Directors
The Impact Fund
Berkeley, California

Opinion

I have audited the accompanying financial statements of The Impact Fund (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Impact Fund as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Impact Fund and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Impact Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

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generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Impact Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Impact Fund's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Healy and Associates

Healy and Associates
Concord, California

THE IMPACT FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 260,230
Investments	2,353,436
Grants and contributions receivable	41,130
Prepaid expenses	10,962
Total Current Assets	2,665,758
Right-of-use asset	868,082
Fixed asset, net	28,699
Security deposit	53,970
Total Assets	$ 3,616,509
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 389,931
Lease liability, current portion	276,144
Deferred revenue	20,000
Total Current Liabilities	686,075
Lease liability, long-term portion	656,641
Total Liabilities	1,342,716
NET ASSETS	
Without donor restrictions	2,199,037
With donor restrictions	74,756
Total Net Assets	2,273,793
Total Liabilities and Net Assets	$ 3,616,509

THE IMPACT FUND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

		Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT				
Cy Pres awards		$ 774,658	$ -	$ 774,658
State Bar grants		-	578,427	578,427
In-kind advertising		560,841	-	560,841
Foundation and community grants		35,030	448,970	484,000
Seminars and education		276,058	-	276,058
Individual and firm contributions		255,395	-	255,395
Reimbursable grants recovery		213,604	-	213,604
Investment income, net		93,415	-	93,415
Special event				
Gross receipts	$ 142,673			
Direct costs to special event(s)	(93,100)	49,573	-	49,573
Interest income and interest on grants recovery		32,552	-	32,552
Other income		22,647	-	22,647
In-kind services		2,500	-	2,500
		2,316,273	1,027,397	3,343,670
Net assets released from restriction		1,143,076	(1,143,076)	-
TOTAL REVENUE AND SUPPORT		3,459,349	(115,679)	3,343,670
EXPENSES				
Program services		2,809,175	-	2,809,175
Administrative services		247,852	-	247,852
Fundraising expenses		360,045	-	360,045
TOTAL EXPENSES		3,417,072	-	3,417,072
CHANGE IN NET ASSETS		42,277	(115,679)	(73,402)
NET ASSETS, beginning of year		2,156,760	190,435	2,347,195
NET ASSETS, end of year		$ 2,199,037	$ 74,756	$ 2,273,793

THE IMPACT FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Administrative Services	Fundraising Expenses	Total
Salaries and wages	$ 792,723	$ 141,635	$ 175,105	$ 1,109,463
Payroll taxes	58,882	10,556	13,217	82,655
Retirement	13,603	4,865	4,241	22,709
Employee benefits	67,784	13,680	17,394	98,858
Total Personnel Expenses	932,992	170,736	209,957	1,313,685
Grant making	627,750	-	-	627,750
In-kind advertising	560,841	-	-	560,841
Lease expenses	210,613	39,736	46,553	296,902
Program events and trainings	165,899	-	-	165,899
Professional fees	106,378	10,798	19,074	136,250
Fundraising events	-	-	93,100	93,100
Information technology	46,566	4,807	8,361	59,734
Dues and subscriptions	33,341	5,477	13,712	52,530
Miscellaneous	48,402	2,001	488	50,891
Advertising and promotion	15,769	2,296	22,948	41,013
Office supplies and expense	11,653	4,570	21,496	37,719
Travel and meals	21,229	968	3,471	25,668
Bank, credit card, and other fees	6,967	443	8,188	15,598
Depreciation	10,435	1,715	2,144	14,294
Staff development and training	2,963	955	2,740	6,658
Insurance	3,822	671	838	5,331
Conferences and meetings	3,172	62	75	3,309
In-kind services	-	2,500	-	2,500
Equipment repair and maintenance	383	117	-	500
	2,809,175	247,852	453,145	3,510,172
Less: expenses included with revenues on the statement of activities:				
Special event direct costs	-	-	(93,100)	(93,100)
Total Expenses	$ 2,809,175	$ 247,852	$ 360,045	$ 3,417,072

THE IMPACT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (73,402)
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation	14,295
Unrealized losses	60,215
CHANGES IN ASSETS AND LIABILITIES:	
Grants and contributions receivable	(5,798)
Prepaid expenses	41,371
Right-of-use asset	(868,082)
Accounts payable and accrued expenses	130,946
Deferred revenue	20,000
Deferred rent	(66,522)
Lease liability	932,785
NET CASH PROVIDED BY OPERATING ACTIVITIES	185,808
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	(1,103,630)
NET CASH USED BY INVESTING ACTIVITIES	(1,103,630)
CHANGE IN CASH AND CASH EQUIVALENTS	(917,822)
CASH AND CASH EQUIVALENTS, beginning of year	1,178,052
CASH AND CASH EQUIVALENTS, end of year	$ 260,230
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:	
Right-of-use asset	$ 1,126,100
Operating lease liability for right-of-use asset	$ 1,192,621

See Notes to Financial Statements

NOTE A – NATURE OF ACTIVITIES

The Impact Fund (Organization) is a California nonprofit public benefit corporation, established in 1992. The Organization supports class action public interest litigation and awards grants in the areas of human and civil rights, environmental justice, and for the relief of poverty. The Organization also provides technical support, advice, counseling, training, and representation to public interest lawyers. In addition, the Organization acts as co-counsel in appropriate class action cases as well as filing amicus or "friend of the court" briefs in cases affecting impact litigation or civil rights enforcement.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
The Organization is supported primarily through grants, foundation awards, and contributions.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization accounts for attorney fees and costs as revenue when approved by a court via either a judgment or settlement approval and following an analysis of collectability. In co-counsel arrangements, the Organization may delay recognition for any portion of fees that depend on co-counsel agreement as to amount. As a result, recognition of attorney fees and costs may occur sometimes significantly after the related period in which work was performed.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services. As a practical expedient, the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

Grants made to support public interest litigation are reimbursable to the Organization in certain circumstances. In the event the grantee recovers attorney's fees and/or costs by settlement, judgment or otherwise, the Organization requires repayment of the grant with interest. The Organization, at its sole discretion, may waive the interest charge and/or a portion of the amount to be reimbursed if management concludes that because of a limited fee and/or cost recovery, it would be appropriate to do so. The Organization records grants as an expense in the period conditions for an award are satisfied, including approval by the Grants Advisory Committee. Grant repayment and related interest are recorded as revenue in the period actually received as the possibility and amount of future reimbursements is not predictable and may depend on success in litigation or other factors.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has $1,163,315 in cost-reimbursement grants that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the cost-reimbursable federal and state grants.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and Contributions Receivable
Grants and contributions receivable consist of unconditional promises to give and conditional promises to give which have been earned. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management has determined no allowance for doubtful accounts is necessary at June 30, 2023.

Fixed Assets
Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets in excess of $5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated lives of the property and equipment.

Fair Value Measurements
The Organization's financial instruments include cash, cash equivalents, and investments (Level 1). 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 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. 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 in active markets.
> **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets 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.

In-kind Services
Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills and are performed by people with those skills. Donated services for the year ended June 30, 2023, was $563,341.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on estimated allocations maintained at the staff level.
- Telephone and internet services, insurance, occupancy, supplies, and other expenses that cannot be directly identified are allocated on the basis of such staff allocation for each program and supporting activity.
- Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Depreciation is charged to management and general. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities.

Tax Exemption Status

The Organization 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 related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that, as of June 30, 2023, 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.

Relevant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a comprehensive new lease accounting model. It clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right of use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization adopted the standard on July 1, 2022. The Organization elected the 'package of practical expedients', which permitted the

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Relevant Accounting Pronouncements (Continued)

Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and all of the new standard's available transition practical expedients. In addition, the Organization adopted the practical expedients of using the risk-free interest rate and the short-term lease definition. The adoption of the standard resulted in the addition of right of use assets and lease liabilities as reflected in the accompanying financial statements.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate for the same term as the underlying lease or the risk-free interest rate. Lease expense for the operating lease is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability.

NOTE C – CONCENTRATIONS

Cash Deposits

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents in a financial institution. Funds on deposit exceeding federally insured limits totaled $19,116 at June 30, 2023.

Support and Revenue

The Organization received approximately 47% of its funding from two funders (24% and 23%). The loss of such funding could have a significant impact on the Organization's future ability to continue its operations.

Grants and Contributions Receivable

Concentrations exist as 64% of grants and contributions receivable are due from one funding source. Management has evaluated the source of funding and determined the receivables to be fully collectible.

NOTE D – INVESTMENTS

Investments are classified within Level 1 of the fair value hierarchy because they are measured by pricing on publicly traded markets with reasonable levels of price transparency. Investment fair values at June 30, 2023, are as follows:

Cash and bank sweep in investments	$ 5,468
Fixed income	1,105,479
Equities	1,159,892
Bond funds	45,326
Other assets	37,271
Total investments	$ 2,353,436

Activity for investment accounts for the year ended June 30, 2023, is as follows:

Beginning balance, investments	$ 1,310,021
Withdrawals	(300,000)
Additions	1,250,000
Interest and dividend income	50,561
Fees	(17,361)
Unrealized capital loss	60,215
Ending balance	$ 2,353,436

NOTE E – FIXED ASSETS

Fixed assets are comprised of the following at June 30, 2023:

Furniture and equipment	$ 49,929
Leasehold improvements	36,384
Less: accumulated depreciation	(57,614)
Fixed assets, net	$ 28,699

Depreciation expense for the year ended June 30, 2023 is $14,295.

NOTE F – EMPLOYEE BENEFITS

Accumulated unpaid benefits for paid time off are recognized as liabilities of the Organization, when accrued. Accrued paid time off payable at June 30, 2023 is $41,500 and is included in accounts payable and accrued expenses in the accompanying statement of financial position.

The Organization offers sabbatical to eligible full-time employees. The total amount accrued for sabbatical leave is $74,341 as of June 30, 2023, and is included in the accounts payable and accrued expenses in the accompanying statement of financial position.

NOTE F – EMPLOYEE BENEFITS (Continued)

The Organization has established a Simplified Employee Pension (SEP) Plan for its employees. The SEP is subject to the provisions of the Internal Revenue Code Section 408(k). The Organization makes discretionary contributions for eligible employees which totaled $22,709 for the year ended June 30, 2023.

NOTE G –NET ASSETS WITH DONOR RESTRICTIONS

The Organization had the following activity in net assets with donor restrictions for the year ended June 30, 2023:

Nature of Restriction	6/30/2022	Awards	Releases	6/30/2023
Purpose restricted:				
Training institute	$ -	$ 20,000	$ -	$ 20,000
Fellows	-	10,000	(3,244)	6,756
Economic & social justice	133,390	385,000	(470,390)	48,000
State Bar	30,352	310,753	(341,105)	-
MCLE training	26,693	301,644	(328,337)	-
Total	$ 190,435	$1,027,397	($1,143,076)	$74,756

NOTE H – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 260,230
Investments	2,353,436
Grants and contributions receivable	41,130
Total financial assets	2,654,796
Less:	
Net assets with purpose restrictions to be met in one year	(74,756)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,580,040

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE I – LEASES

During the year ended June 30, 2023, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, Leases, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments.

The Organization leases office space in Berkeley, California under a noncancellable lease which runs through August 2026, at a rate of approximately $25,000 per month with annual 3% increases.

The client used the risk-free interest rate of 2.88% to determine the present value of its lease. Right-of-use assets were $868,082 and lease liabilities were $932,785 as of June 30, 2023. The weighted-average discount rate used to calculate the present value of future minimum lease payments was 2.88%. The weighted-average lease term was 3.167 years at June 30, 2023.

Lease expense consists of the following for the year ended June 30, 2023:

Operating lease expenses	$ 292,365
Short-term lease expenses	4,537
Total lease expense	$ 296,902

The total cash amount paid for operating leases was $294,184 for the fiscal year ended June 30, 2023, with a non-cash component of ($1,819).

Future minimum payments for the fiscal year ended June 30 is as follows:

	Operating Leases
2024	$ 303,009
2025	312,099
2026	321,462
2027	53,970
Total minimum lease payments	990,540
Less: net present value	(57,755)
Present value of minimum lease payments	$ 932,785

NOTE J – IN-KIND DONATIONS

For the year ended June 30, 2023, in-kind donations were received as follows:

Category - Allocation	Valuation Technique	Total Received
Google advertising -program	FMV by donor	$560,841
Accounting fees - admin	FMV by donor	2,500
Total in-kind donations		$ 563,341

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through December 15, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.