

**COMMON IMPACT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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Independent Auditors' Report

To the Board of Trustees of  
Common Impact  
22 Hilliard Street  
Cambridge, MA 02138

We have audited the accompanying statement of financial position of Common Impact as of June 30, 2007, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Common Impact as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The 2006 financial statements were reviewed by us, and our report thereon, dated September 12, 2006, and stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

*Russell, Briar & Co. LLP*  
Certified Public Accountants

October 15, 2007

**COMMON IMPACT**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

<b>ASSETS</b>		<u>2007</u>	<u>2006</u>
		<u>(Audited)</u>	<u>(Reviewed)</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$	6,416	\$ 6,167
Accounts receivable, net		15,176	266
Pledges receivable		182,500	114,000
Prepaid expenses		<u>4,013</u>	<u>14,714</u>
Total current assets		<u>208,105</u>	<u>135,147</u>
<b>Non-Current Assets</b>			
Security deposit		3,000	3,000
Fixed assets, net		<u>704</u>	<u>1,318</u>
Total non-current assets		<u>3,704</u>	<u>4,318</u>
Total assets	\$	<u>211,809</u>	\$ <u>139,465</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$	10,090	\$ 7,134
Miscellaneous liability		1,847	-
Line of credit		<u>99,500</u>	<u>42,000</u>
Total current liabilities		<u>111,437</u>	<u>49,134</u>
<b>Net Assets</b>			
Unrestricted net assets		<u>100,372</u>	<u>90,331</u>
Total liabilities and net assets	\$	<u>211,809</u>	\$ <u>139,465</u>

See accompanying notes.

**COMMON IMPACT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED  
JUNE 30, 2007 AND 2006**

	2007 <u>(Audited)</u>	2006 <u>(Reviewed)</u>
<b>Revenue</b>		
Program revenue		
Contributions - foundations	\$ 380,000	\$ 341,950
Contributions - corporations	20,750	5,700
Contributions - individuals	214,324	77,737
Contributions - non-cash	-	11,297
Program revenue	208,840	55,257
Interest income	134	174
Total revenue	<u>824,048</u>	<u>492,115</u>
<b>Expenses</b>		
Salaries and wages	456,701	273,571
Payroll taxes	40,963	27,630
Employee benefits	39,372	23,036
Accounting	9,332	2,904
Conferences	45,868	2,048
Consultant	63,995	48,967
Depreciation	614	2,234
Equipment - non-cash	-	11,297
Fund raising	-	2,202
Insurance	2,206	1,931
Meals	2,277	1,293
Miscellaneous expense	12,320	3,940
Office cleaning service	1,713	1,170
Office supplies	11,406	3,840
Payroll services	1,918	1,392
Postage	2,340	1,441
Printing	14,935	5,457
Program supplies	308	1,855
Recruiting expense	679	5,227
Rent expense	51,796	37,062
Repair and maintenance	5,429	4,137
Subscriptions and memberships	1,785	808
Telephone	25,879	15,820
Travel and transportation	22,171	12,834
Total expenses	<u>814,007</u>	<u>492,096</u>
Change in unrestricted net assets	10,041	19
Unrestricted net assets, beginning of year	90,331	90,312
Unrestricted net assets, end of the year	<u>\$ 100,372</u>	<u>\$ 90,331</u>

See accompanying notes.

**COMMON IMPACT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007 <u>(Audited)</u>	2006 <u>(Reviewed)</u>
Cash flows from operating activities:		
Contributions and bequests	\$ 535,277	\$ 363,090
Program revenue	193,930	60,548
Salaries and wages paid	(456,701)	(273,571)
Employee benefits	(82,541)	(52,597)
Investment income	134	174
Payments to suppliers and other	<u>(247,350)</u>	<u>(142,964)</u>
Net cash provided by (used in) operating activities	<u>(57,251)</u>	<u>(45,320)</u>
Cash flows from investing activities:		
Paid security deposit	<u>-</u>	<u>3,000</u>
Net cash used in investing activities	<u>-</u>	<u>3,000</u>
Cash flows from financing activities:		
Line of credit	<u>57,500</u>	<u>7,000</u>
Increase (decrease) in cash and cash equivalents	249	(35,320)
Cash at beginning of year	<u>6,167</u>	<u>41,487</u>
Cash at end of year	<u>\$ 6,416</u>	<u>\$ 6,167</u>

See accompanying notes.

**COMMON IMPACT**  
**RECONCILIATION OF CHANGES IN NET ASSETS TO NET**  
**CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007 <u>(Audited)</u>	2006 <u>(Reviewed)</u>
Changes in net assets	\$ 10,041	\$ 19
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	614	2,234
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(14,910)	5,290
(Increase) decrease in pledges receivable	(68,500)	(51,000)
(Increase) decrease in prepaid expenses	10,701	(850)
Increase (decrease) in payables	<u>4,803</u>	<u>(1,013)</u>
Net cash provided by (used in) operating activities	<u>\$ (57,251)</u>	<u>\$ (45,320)</u>

See accompanying notes.

**COMMON IMPACT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies**

Common Impact (formerly Harbinger Partners), a nonprofit organization, was formed in July 2000 to provide technological expertise and assistance to other nonprofit organizations. The Organization is exempt from corporate taxes under IRC Section 501c(3) and has been classified by the Internal Revenue Service as other than a private foundation. The Organization's name was officially changed from Harbinger Partners to Common Impact in the fiscal year 2007.

The financial statements of Common Impact are prepared on the accrual basis of accounting. Under the accrual method, income and expenses are recognized when earned or accrued rather than when actually received or paid.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**- Financial Statement Presentation**

The Organization follows Statement of Financial Accounting Standards SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, Common Impact is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**- Revenues, Expenses, Gains and Losses**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-stipulated purpose or bylaw. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

**COMMON IMPACT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies** *(continued)*

**- Contributions**

Common Impact follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Intentions to give, which are not legally enforceable, are not recorded until actually received.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional - that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity.

**- Contributions with Restrictions Met in the Same Year**

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**- Contributed Services**

No amounts have been reflected in the financial statements for contributed services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its activities. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

**COMMON IMPACT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies** *(continued)*

**- Donated Property**

Previously, the Organization has used office space that had been donated free of rent. Each donation of rent was recorded at its estimated fair value at the date of donation. Accordingly, donations were recorded as increases in temporarily restricted net assets. The Organization reported expiration of donor restrictions when time passed. The Organization reclassified temporarily restricted net assets to unrestricted net assets at that time.

**- Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for such securities which are held as long-term investments. The Organization maintains at financial institutions cash and cash equivalents which may exceed federally insured amounts at times.

**Note 2 - Accounts Receivable**

Accounts receivable include grants and payments due from clients. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for losses on accounts receivable through a provision for bad debt expense and adjustment to a valuation allowance based on payment history and current credit conditions. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Accounts receivable at June 30, 2007 and 2006 are comprised of the following:

	2007 <u>(Audited)</u>	2006 <u>(Reviewed)</u>
Accounts receivable - operations	\$ 15,975	\$ 280
Less allowance for doubtful accounts	<u>(799)</u>	<u>(14)</u>
Accounts receivable - operations, net	<u>\$ 15,176</u>	<u>\$ 266</u>

**COMMON IMPACT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 3 - Pledges Receivable**

Pledges receivable represent unconditional promises to give over a period of time. Pledges expected to be collected after June 30, 2007 are recorded at the net present value based on U.S. Treasury securities yields with maturity dates similar to the collection period. At June 30, 2007, all pledges are collectible within one year.

**Note 4 - Property and Equipment**

Assets with a useful life of one year or more are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Depreciation lives range from 4 to 7 years.

<u>2007</u> <u>(Audited)</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
Furniture	\$ 400	\$ 357	\$ 43
Equipment	1,508	1,322	186
Computers	11,392	10,917	475
Total	<u>\$ 13,300</u>	<u>\$ 12,596</u>	<u>\$ 704</u>
<u>2006</u> <u>(Reviewed)</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
Furniture	\$ 400	\$ 300	\$ 100
Equipment	3,434	3,146	288
Computers	9,467	8,537	930
Total	<u>\$ 13,301</u>	<u>\$ 11,983</u>	<u>\$ 1,318</u>

**Note 5 - Rental Agreement**

The Organization's current rental agreement expires in February of 2008. There is no fixed rent expense.

**Note 6 - Related Party/In-Kind Donations**

In fiscal year 2006, IBM donated three laptop computers and a server, valued at \$11,297. In fiscal 2007, the \$12,500 rental space donation was expensed. The Organization no longer accepts in-kind donations.

**COMMON IMPACT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 7 - Line of credit**

During fiscal year 2007, the Organization secured a \$100,000 line of credit. As of June 30, 2007, the Organization had drawn on \$99,500 of the line of credit.

**Note 8 - Change in Entity Name**

During fiscal year 2006, the Organization elected to incur a name change after a merger with another similar organization, the Corporate Volunteer Network (CVN). Beginning with fiscal year 2007, the Organization is henceforth known as Common Impact.

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INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of  
Common Impact  
22 Hilliard Street  
Cambridge, MA 02138

Our report on our audit of the basic financial statements of Common Impact, Inc. for the years ended June 30, 2007 and 2006 appears on page 1 of this report. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supporting schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Russell, Brier & Co. LLP*

Certified Public Accountants

October 15, 2007

**COMMON IMPACT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>2007 Total</u>
Salaries and wages	\$383,629	\$22,835	\$50,237	\$456,701
Payroll taxes	34,409	2,048	4,506	40,963
Employee benefits	33,072	1,969	4,331	39,372
Accounting	7,839	467	1,026	9,332
Conferences	38,529	2,293	5,045	45,867
Consultants	53,756	3,200	7,039	63,995
Depreciation	516	31	68	615
Insurance	1,853	110	243	2,206
Meals	1,913	114	250	2,277
Miscellaneous expense	10,349	616	1,355	12,320
Office cleaning service	1,439	86	188	1,713
Office supplies	9,581	570	1,255	11,406
Payroll services	1,611	96	211	1,918
Postage	1,966	117	257	2,340
Printing	12,545	747	1,643	14,935
Program supplies	259	15	34	308
Recruiting expense	570	34	75	679
Rent expense	43,509	2,590	5,698	51,797
Repair and maintenance	4,560	271	597	5,428
Subscriptions and memberships	1,499	89	196	1,784
Telephone	21,738	1,294	2,847	25,879
Travel and transportation	18,624	1,109	2,439	22,172
<b>Total expenses</b>	<b><u>\$ 683,766</u></b>	<b><u>\$ 40,701</u></b>	<b><u>\$ 89,540</u></b>	<b><u>\$ 814,007</u></b>

See accountants' report on supplementary information.