

COMMON FUTURE

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMON FUTURE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Common Future
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of Common Future, which comprise the statement of financial position as of December 31, 2019, 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

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 from 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 Organization'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 Organization's internal control. Accordingly, we 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.

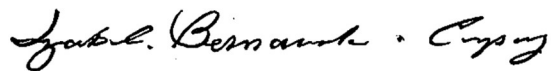
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Common Future as of December 31, 2019, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Common Future adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"). The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



San Francisco, California

May 6, 2020

**COMMON FUTURE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	\$	1,327,235
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
<i>Decrease/(increase) in assets:</i>		
Accounts Receivable, net		(643,590)
Prepaid Expenses		16,097
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable		280,309
Payroll Payables		1,375
Accrued Salaries		(10,745)
Accrued Paid Time Off		12,346
Deferred Revenue		(65,550)
Net Cash Provided by Operating Activities		917,477
Net Increase/(Decrease) in Cash and Cash Equivalents		917,477
CASH AND CASH EQUIVALENTS, beginning of year		1,314,077
CASH AND CASH EQUIVALENTS, end of year	\$	2,231,554
Supplemental Disclosure:		
Interest paid	\$	0

See notes to financial statements

COMMON FUTURE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Note 1: ORGANIZATION

General

Common Future (the Agency), formerly known as Business Alliance for Local Living Economies (BALLE) is a network of leaders across the U.S. and Canada who work deeply within their communities to create alternative approaches to business, philanthropy and investing. We envision an economy that has transitioned from the extractive accumulation of wealth and the centralization of power and control to one that: redistributes wealth, democratizes power, and shifts economic control to marginalized communities.

Founded 17 years ago to develop and catalyze the emergence of local economies to support health and prosperity for all, Common Future was a leader in the “buy local” movement, promoting entrepreneurs as community change agents. By 2009, Common Future was supporting more than 80 local-first business networks across the U.S. and Canada. We discovered that systems and network leaders, whose work is focused on inclusion and support of peers for field change, are critical to building thriving local ecosystems that are often under-recognized and under-resourced. Common Future started building leadership cohort programs in 2012 to identify and connect these leaders throughout North America.

Today, Common Future is powered by the genius of this connected and growing network of 160 entrepreneurial ecosystem builders, investors, and place-based foundation leaders. Common Future Network Leaders have shifted more than \$250MM from traditional investments into ones that work to build restorative, just, and local economies. Increasingly, we seek to invest in and amplify their work.

Our Leadership Network is a community of Common Future Fellows, place-based foundation leaders, and impact investors who have participated in our programs and are now poised to share knowledge, expertise, and resources. Our Network Leaders are dissatisfied with the status quo. Fiercely committed to the people and relationships they hold closest, they feel compelled to act as a servant leader and seek guidance and support to navigate a world that is increasingly more volatile, uncertain, complex, and ambiguous.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

Effective January 1, 2019, Common Future adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “ASC 606”) which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, as of and for the year ended December 31, 2019.

**COMMON FUTURE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement (continued)

The majority Common Future's revenues come from foundation grants and consultant fees that are within the scope of ASC 606 and are recognized as revenue as Common Future satisfies its obligations to the customer.

Implementation of ASU 2014-09 did not require reclassification or restatement of any opening balances related to the period presented.

Basis of Accounting

Common Future prepares its financial statements using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when they are incurred.

Basis of Presentation

Common Future is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Income Tax Status

Common Future is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and therefore has made no provisions for federal income taxes in the accompanying financial statements. Common Future is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Management believes Common Future has no uncertain tax positions as of December 31, 2019.

Functional Expense Allocation

Expenses are presented by functional classification in accordance with the overall service mission of Common Future. Each functional classification displays all expenses related to the underlying operations by natural classification. Employee Salaries are allocated using employee time studies. These time studies are then used to allocate employee salaries, payroll taxes and benefits as well as shared costs. Shared costs include occupancy expenses, office supplies, and IT consultants.

Cash and Cash Equivalents

Cash and cash equivalents consists principally of amounts on hand and on deposit with commercial banks available within 90 days of demand. The carrying amount of cash approximates fair value due to its short-term nature.

**COMMON FUTURE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses as of the date and for the period presented. Actual results could differ from these estimates.

Accounts Receivable

Common Future considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Common Future records property and equipment at cost or fair value when purchased or donated, respectively, when the cost or fair value exceeds \$5,000. Common Future computes depreciation using the straight-line method over the estimated useful lives of the property and equipment (or lower remaining lease period for leasehold improvements), ranging from three to seven years.

Revenue Recognition

Contributions receivable are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Advertising Costs

The production costs of advertising are expensed as incurred. During the year ended December 31, 2019, advertising costs charged to expense totaled \$0.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2019 is as follows:

JPMC Grant Receivable	\$ 500,000
Other Receivables	156,483
Total Accounts Receivable	\$ <u>656,483</u>

**COMMON FUTURE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE 4: LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash & Cash Equivalents	\$	2,231,554
Accounts Receivable		656,483
Total Financial Assets		2,888,037
Contractual or donor-imposed restrictions:		
Cash restricted by lessor to specific uses		(800,920)
Board designations:		
Innovation Fund		(200,000)
Financial assets available to meet cash needs for general expenditures within one year	\$	1,887,117

At FYE19 Common Future had \$1,887,117 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. Total Financial Assets are reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include the \$200,000 Innovation Fund, which is designated to allow the organization to absorb risk, pursue opportunities, and fund improvements in the efficiency and/or quality of the organization's enterprise, and should not be used for meeting liquidity needs.

Common Future's operating reserve, which was \$1,300,000 at December 31, 2019, is included in the calculation of financial assets available within one year, because the fund provides the organization with the cash necessary for the day-to-day operations of the organization. Common Future's target for this reserve is a total of 6 months of normal operating expenses, which were, on average, approximately \$216,000/month in 2019. The operating reserve funds are held with a bank as a savings account. The operating reserve balance is included in the cash and cash equivalents line of the statement of financial position.

Note 5: BOARD DESIGNATED NET ASSETS

At December 31, 2019, the Board-designated nets assets consisted of \$1,300,000 for the Operations Reserve and \$200,000 for the Innovation Fund.

**COMMON FUTURE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Note 6: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions included the following:

	December 31, 2018	Contributions	Releases From Restrictions	December 31, 2019
Partnership Restrictions:				
Fellowship Horizon	\$ 624,024	\$ 0	\$ (624,024)	\$ 0
Heron Foundation	0	468,000	(46,000)	422,000
JP Morgan Chase	0	500,000	(270,000)	230,000
Cal Ag	0	60,000	(51,080)	8,920
Ismael	0	25,000	(25,000)	0
Kauffman	0	46,000	(46,000)	0
Subtotal	624,024	1,099,000	(1,062,104)	660,920
Other Restrictions:				
Libra	0	100,000	0	100,000
Commonplace	0	40,000	0	40,000
Subtotal	0	140,000	0	140,000
Total Net Assets				
With Donor Restrictions	\$ 624,024	\$ 1,239,000	\$ (1,062,104)	\$ 800,920

Note 7: CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Common Future maintains cash balances at a local financial institution. The balances are insured by the Federal deposit Insurance Corporation up to \$250,000. At December 31, 2019, the Agency's uninsured cash balance totaled approximately \$1,934,800.

Note 8: SUBSEQUENT EVENTS

Common Future's management has evaluated its subsequent events through May 6, 2020, the date the financial statements were available to be issued and determined to disclose the following subsequent event:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was identified and has since spread to many countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. In California, a mandatory "shelter-in-place" order was issued on March 19, 2020. It is anticipated that these impacts will continue for some time. In response to COVID-19, the Agency will continue business with no interruptions to our operations and programs through the end of 2020.

**COMMON FUTURE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Note 8: SUBSEQUENT EVENTS (continued)

As of March 31, 2020, the Agency has received 85% of committed funding towards the 2020 budget of \$2.6M and is expected to reach the goal of receiving 100% by the end of the second quarter of 2020. As of March 31, 2020, the Agency has approximately \$1.3M in operating reserves which is equal to six months of expenses and \$200K in the innovation fund. As an organization, management is tracking the implications of the COVID-19 crisis on our business operations and organizations that we partner closely with on a daily and weekly basis and plan to adjust our strategy as needed as the situation develops.