

IMPACT ONLINE, INC.
dba



REPORT ON AUDIT OF FINANCIAL STATEMENTS
for the year ended December 31, 2010
(with comparative totals for 2009)

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH

C O N T E N T S

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-17



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Impact Online, Inc.

We have audited the accompanying statement of financial position of Impact Online, Inc., dba VolunteerMatch (the Organization) (a California nonprofit corporation) as of December 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated February 26, 2010 we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also 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 Impact Online, Inc., dba VolunteerMatch, as of December 31, 2010, 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.

Burr Pilger Mayer, Inc.

San Francisco, California
April 11, 2011

Member of The Leading Edge Alliance

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
STATEMENT OF FINANCIAL POSITION

December 31, 2010
(with comparative totals for 2009)

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,062,592	\$ 4,152,110
Accounts receivable, net of allowance of \$14,789 and \$14,672, respectively	576,768	872,213
Growth capital pledges	285,000	705,000
Related party growth capital pledge	50,000	-
Prepaid expenses	85,065	86,503
Current portion of security deposit	20,705	20,000
Total current assets	6,080,130	5,835,826
Growth capital pledges, net of current portion, discounted	-	291,456
Related party growth capital pledge, net of current portion, discounted	-	49,015
Property and equipment, net	457,885	330,602
Other assets—security deposit	60,000	80,825
Total assets	\$ 6,598,015	\$ 6,587,724
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 281,731	\$ 287,063
Deferred revenue	1,730,647	1,785,492
Deferred rent	10,510	4,204
Total current liabilities	2,022,888	2,076,759
Long-term liabilities:		
Deferred revenue, net of current portion	39,402	5,000
Deferred rent, long-term	4,204	14,714
Total long-term liabilities	43,606	19,714
Total liabilities	2,066,494	2,096,473
Net assets:		
Unrestricted	2,328,648	2,085,431
Temporarily restricted—growth capital	2,202,873	2,405,820
Total net assets	4,531,521	4,491,251
Total liabilities and net assets	\$ 6,598,015	\$ 6,587,724

The accompanying notes are an integral
part of these financial statements.

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH

STATEMENT OF ACTIVITIES

for the year ended December 31, 2010
(with comparative totals for 2009)

	Unrestricted	Temporarily Restricted— Growth Capital	2010 Total	2009 Total
Support and revenues:				
Corporate program services	\$ 3,088,910	\$ -	\$ 3,088,910	\$ 2,689,189
In-kind revenue and support	989,519	-	989,519	729,233
License fees	57,737	-	57,737	102,176
Sponsorship	312,546	-	312,546	259,504
Donations	7,800	-	7,800	18,678
Nonprofit premium services	410,056	-	410,056	384,326
Investment income	24,619	-	24,619	17,519
Other income	3,899	-	3,899	10,921
Amortization of discount on growth capital pledges	-	9,529	9,529	6,099
Total support and revenues	4,895,086	9,529	4,904,615	4,217,645
Net assets released from restrictions	212,476	(212,476)	-	-
Total support and revenues, and released from restrictions	5,107,562	(202,947)	4,904,615	4,217,645
Expenses:				
Program services	4,366,067	-	4,366,067	4,040,646
Supporting services:				
Development	152,882	-	152,882	145,810
Management and general	345,396	-	345,396	279,953
Total supporting services	498,278	-	498,278	425,763
Total expenses	4,864,345	-	4,864,345	4,466,409
Change in net assets	243,217	(202,947)	40,270	(248,764)
Net assets, beginning of year	2,085,431	2,405,820	4,491,251	4,740,015
Net assets, end of year	\$ 2,328,648	\$ 2,202,873	\$ 4,531,521	\$ 4,491,251

The accompanying notes are an integral
part of these financial statements.

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2010
(with comparative totals for 2009)

	Program Services	Supporting Services		2010 Total	2009 Total
		Develop- ment	Management and General		
Expenses:					
Payroll, payroll taxes, and benefits	\$ 2,273,373	\$ 107,641	\$ 288,477	\$ 2,669,491	\$ 2,405,769
Advertising and promotion	692,594	155	-	692,749	550,249
Depreciation and amortization	366,152	2,917	7,817	376,886	301,370
Legal and accounting	254,592	3,645	9,768	268,005	236,787
Consultants and web development	187,461	8,368	4,995	200,824	298,692
Rent	163,551	7,744	20,754	192,049	203,758
Conferences	135,929	2,037	-	137,966	137,155
Online/internet services	74,422	11	30	74,463	97,692
Dues and subscriptions	60,767	7,984	761	69,512	72,488
Travel	47,905	5,024	4,167	57,096	41,760
Miscellaneous	36,152	4,717	3,718	44,587	30,082
Telephone	21,974	537	1,439	23,950	21,942
Insurance	17,530	830	2,225	20,585	16,976
Partnerships and Volunteer Program	10,651	-	-	10,651	21,299
Office supplies	7,553	325	821	8,699	10,439
Meeting expenses	5,111	694	73	5,878	3,547
Copying/printing	5,342	39	106	5,487	10,843
Postage	5,008	214	245	5,467	5,561
Total expenses	<u>\$ 4,366,067</u>	<u>\$ 152,882</u>	<u>\$ 345,396</u>	<u>\$ 4,864,345</u>	<u>\$ 4,466,409</u>

The accompanying notes are an integral part of these financial statements.

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
STATEMENT OF CASH FLOWS

for the year ended December 31, 2010
(with comparative totals for 2009)

	2010	2009
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 40,270	\$ (248,764)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	376,886	301,370
Amortization of discount on growth capital pledges	(9,529)	(6,099)
In-kind donation of software	(76,925)	-
Bad debt expense (recovery)	3,617	(25,146)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	291,828	(500,819)
Decrease in growth capital pledges	720,985	525,486
(Increase) in related party growth capital pledge	(985)	(485)
Decrease (increase) in prepaid expenses	1,438	(7,718)
Decrease in security deposit	20,120	32,537
(Decrease) increase in accounts payable and accrued liabilities	(5,332)	8,840
(Decrease) increase in deferred revenue	(20,443)	508,876
(Decrease) increase in deferred rent	(4,204)	2,102
Net cash provided by operating activities	1,337,726	590,180
Cash flows from investing activities—		
Purchase of property and equipment	(427,244)	(265,951)
Net cash used in investing activities	(427,244)	(265,951)
Net increase in cash and cash equivalents	910,482	324,229
Cash and cash equivalents, beginning of year	4,152,110	3,827,881
Cash and cash equivalents, end of year	\$ 5,062,592	\$ 4,152,110
Noncash investing activities—In-kind software donation	\$ 76,925	\$ -

The accompanying notes are an integral part of these financial statements.

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

1. Organization and Programs

Impact Online, Inc. (the Organization), founded in 1996, is a registered public benefit corporation currently pursuing its mission as VolunteerMatch.

The Organization is dedicated to strengthening communities by helping good people and good causes to connect. Its award-winning online service, www.volunteermatch.org, makes it easier to find local volunteer opportunities all across the country. The organization also provides many of the nation's most recognized businesses and organizations with web-based solutions to facilitate and track volunteer engagement at local and national levels. As the top search result for 'volunteer' on Google and Bing, the VolunteerMatch network regularly welcomes more than 25,000 visitors a day and has become the preferred volunteer recruiting service for tens of thousands of participating nonprofits.

VolunteerMatch enjoys widespread public support and has been recognized for its accomplishments with a number of distinguished awards including: "Best .Org Web Site" 2008 Nonprofit Technology Conference, TIME "Top 10 Web Site" for 2007, Yale-Goldman Sach's Foundation Nonprofit Business Plan Grand Prize, MIT E-Commerce Award: Most Socially Responsible Technology, Smithsonian Institute Permanent Collection on Technology, Webby Awards for Activism and Service.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net assets that are in accordance with specified activities or objectives.

Accordingly, all financial transactions have been recorded and reported by net assets group as follows:

Unrestricted

Generally unrestricted net assets result from revenues in providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income-producing assets, less expense incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions.

Temporarily Restricted

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. No new donor restricted assets with time or purpose restrictions were received during the year ended December 31, 2010.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies**, continued

Basis of Accounting and Financial Statement Presentation, continued

Temporarily Restricted, continued

Temporarily Restricted–Growth Capital

The Organization reports gifts designated for its 2008 Growth Capital Campaign as Growth Capital net assets. The net assets are restricted and may be released only if the change in Unrestricted Net Assets is less than 5% of the operating expenses for the year, to allow the entity to achieve a change in Unrestricted Net Assets that is up to 5% of the operating expenses for the year. All net assets that remain unreleased as of the Organization’s December 31, 2012 fiscal year end will no longer be subject to restriction and may be released beginning as of July 1, 2013.

Permanently Restricted

These stipulate that resources be maintained permanently but permits the organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets and also any unrealized gain or loss on the investments that are permanently restricted. At December 31, 2010, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

For purpose of the statement of cash flows, management considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Organization records receivables for its various program service fees as they are determined to be due based on evidence of an arrangement such as a signed contract, fixed fee, performance of services has been initiated and collectability is reasonably assured. Bad debt is provided on the allowance method based upon historical experience and management evaluation of outstanding accounts receivable. The allowance for doubtful accounts at December 31, 2010 was \$14,789.

Growth Capital Pledges

The Organization records receivables for invested growth capital when the amounts are unconditionally promised. Growth capital pledges that are expected to be collected in excess of one year are recorded at the net present value of their estimated future cash flows, determined using a fair value measurement that is the risk free rate applicable for the year in which the promises are recorded. Amortization of the discounts is included in contributed revenue in accordance with donor-imposed restrictions on the contributions. All growth capital pledges were current as of December 31, 2010, therefore, no discount has been provided on these pledges. An allowance for uncollectible growth capital pledges is provided based upon management’s judgment which includes factors, such as, credit risk, prior collection history, and type of contribution.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, receivables, and payables approximate fair value because of the short maturity of those instruments.

Fair Value Measurements

The guidance for fair value measurements also establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in the change in net assets when they occur. Fair value measurements apply whenever other statements require or permit assets or liabilities to be measured at fair value.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2010-06: *Fair Value Measurements and Disclosures*. This requires more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and the inputs used, the activity in Level 3 fair value measurements and the transfers between Levels 1, 2, and 3. This adoption has no effect on the financial statement disclosures as of December 31, 2010 as all of the Organizations assets and liabilities were Level 1 at December 31, 2010, and there were no transfers between levels during 2010.

Property and Equipment

Property and equipment is stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Repairs and maintenance costs are expensed as incurred; significant additions, renewals and betterments, generally above \$500, are capitalized.

Revenue Recognition

Donations and Grants

Donations and grants of cash and other assets are recognized as revenue when they are received or unconditionally promised. Donations are received through the Organization's website or in the mail via personal check. Unless expressly noted in the donation form, all website and mail in donations are considered unrestricted funds and are included as part of the Organization's general operating capital. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the future are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. There were no conditional promises to give for the year ending December 31, 2010.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Invested Growth Capital

Invested growth capital is recognized as revenue when funds are received or unconditionally promised. Invested growth capital due in the future is recorded at net realizable value. The revenue is distinct from donations and grants as the purpose is to allow the Organization to achieve long-term self-sufficiency. There was no invested growth capital revenue for the year ending December 31, 2010. Interest income on invested growth capital funds is considered unrestricted for purposes of the statement of activities.

In-Kind Revenue and Support

Materials

Donations of materials are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated materials to a specific purpose. Gifts of long-lived assets are reported as unrestricted support and depreciated over their useful life. Materials donated with explicit restrictions regarding their use are reported as restricted support. The Organization received a gift of a long-lived asset valued at \$76,925 for the year ended December 31, 2010 (Note 12).

Services

Donated services are recognized as contributions if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization has an objective measurable method to determine fair value of donated goods and services.

Nonprofit Premium Services

The Organization offers premium services to community service organizations. Premium services include enhanced volunteer recruiting services called Community Leader, and an extended distribution service called Multi-ZIP listings, which allows the organization's volunteer opportunities to be viewed in search results outside the 20 mile default radius. These services are offered to community organizations via the Organization's website. Nonprofit premium services are either monthly or annual charges. The Organization recognizes revenue upon notification of new purchases of the service over the term of the service.

As an extension of the Community Leader program, the Organization also supports a Preferred Partnership Program (PPP) that helps large, multi-affiliate nonprofit organizations consolidate their volunteer recruiting program into a single, easy-to-use service. The PPP offers discounted Community Leader subscriptions and provides customized training, support, and reporting. PPP revenue is recognized monthly over the life of the contract beginning on the effective date of the contract.

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies**, continued

Revenue Recognition, continued

License Fees

The Organization recognizes earned revenue for licensing fees. License fees are recognized as earned when the Organization enters into an Agreement whereby a third party uses the Organization's content on a third party website. Revenues from licensing fees are recognized per contractual agreement. Current licensing agreements pay the Organization in arrears for performance over a specific period; revenue is not accrued because it cannot be reasonably estimated. Thus, revenue is recorded when payment is received. For some agreements, the revenue for license fees revenue is recognized monthly over the life of the contract.

Corporate Program Services

The Organization recognizes earned revenue for corporate program services. The revenue is recorded as a receivable (if unpaid) upon acceptance of the service contract with the offset to deferred revenue.

1. **Employee Volunteer Tools:** the employee volunteering service is a hosted application that provides specific functionality and content required to effectively manage a corporate volunteering program. Revenue is recognized monthly over the life of the contract beginning in the month of implied or formal acceptance of the main deliverable, a co-branded website. The cycle from contract signing to recognition of revenue generally takes 60 days.
2. **Cause Related Marketing Tools:** the cause marketing tools allow companies to provide volunteering opportunities to their customers, members or user base. Revenue is recognized monthly over the life of the contract beginning in the month of implied or formal acceptance of the main deliverable, a co-branded website. The cycle from contract signing to recognition of revenue generally takes 60 days.

Sponsorship

For individuals and organizations wishing to express their support of the service and of volunteering in general, the Organization provides sponsorship opportunities on its website. Sponsorship placements include an Adopt-a-ZIP program and customized sponsorship within the website. The Adopt-a-ZIP program allows any entity to donate to the Organization and select a US ZIP code, or ZIP codes, where a message showing their support will appear on the website. Custom sponsorships provide the donor with general website sponsorship, targeted keywords or geographic sponsorships, and other customized presentations as permitted by the Organization's technical capabilities. The Organization recognizes Adopt-a-ZIP revenue upon notification of purchase, and recognizes custom sponsorship revenue on an as-delivered basis.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Other Income

Other income consists of a 40% share of royalties on sales of a baby boomer volunteerism book sold through the Organization's website. The royalty income is in accordance with the Organization's tax exempt purpose. The original term of the agreement was two years from May 22, 2008. In August 2010, a new contract was signed. Per terms of the new agreement, the contract is in effect for one year with automatic renewals of one year periods, with cancellation allowed by either party with a thirty day written notice before the end of a term. Royalty income was \$3,899 for the year ended December 31, 2010.

Functional Allocation of Expenses

The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated according to a formula developed by management. Allocations are based on a measure of usage that best relates to the particular expense (e.g., rent and related expenses are allocated according to the number of personnel and their time spent on various programs and support services).

Advertising Costs

Advertising and promotion costs are expensed. Total cost expensed was \$692,749 for the year ended December 31, 2010.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701(d) of the California Franchise Tax Board. Accordingly, the Organization does not pay federal or state income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the Organization, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Organization.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

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.

Internal Use Software

In accordance with guidance for accounting for internal use software, certain costs incurred in connection with developing or obtaining internal use software are capitalized. The Company capitalized \$396,191 of computer software during the year ended December 31, 2010. These capitalized software costs will be amortized over the lesser of 36 months or the useful life of the software.

2009 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009 from which the summarized information was derived. Certain reclassifications have been made to the 2009 financial statements in order to conform to the current year presentation.

3. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows at December 31, 2010:

Cash in bank and money market funds	\$ 5,062,292
Petty cash	<u>300</u>
Total	<u><u>\$ 5,062,592</u></u>

4. Growth Capital Pledges

At December 31, 2010, the Organization had growth capital pledges receivable due as follows:

Less than one year	\$ 285,000
Less than one year, from related party	<u>50,000</u>
	<u><u>\$ 335,000</u></u>

Management expects all growth capital pledges are collectible and thus no allowance has been established at December 31, 2010.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

5. Prepaid Expenses

Prepaid expenses consisted of the following at December 31, 2010:

Prepaid health insurance	\$ 26,054
Prepaid rent	16,816
Prepaid conference	3,727
Prepaid dues	16,196
Insurance	5,760
Other prepaid expenses	<u>16,512</u>
	<u><u>\$ 85,065</u></u>

6. Property and Equipment

Property and equipment at December 31, 2010 consists of the following:

Website development	\$ 3,186,177
Computer equipment and software	375,776
Office furniture and equipment	<u>125,953</u>
	3,687,906
Less accumulated amortization on website development	(2,843,057)
Less accumulated depreciation	<u>(386,964)</u>
	<u><u>\$ 457,885</u></u>

Included in Computer equipment and software is a donated iPhone application valued at \$76,925. This amount has also been recorded as contribution revenue in the statement of activities. Depreciation and amortization expense for the year ended December 31, 2010 was \$72,340 and \$304,546, respectively. Estimated amortization expense on website development is \$114,373 per year for each of the next three fiscal years.

7. Other Assets—Security Deposit

The Organization entered into an office lease in May 2007. The security deposit was satisfied with a cash deposit of \$60,000 held by the lessor and a letter of credit held at a financial institution in the original amount of \$71,078. The letter of credit is invested in bank deposit cash and earns interest. Per terms of the lease, the letter of credit was reduced in 2009 and 2010 and will be fully refunded in June 2011, the 37th month of the lease. At December 31, 2010, \$20,705 is considered to be a current asset.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at December 31, 2010:

Trade accounts payable	\$ 81,733
Accrued vacation payable	78,300
Accrued commissions	36,891
Accrued bonuses	65,634
Accrued benefits and payroll taxes	<u>19,173</u>
	<u>\$ 281,731</u>

9. Deferred Revenue

Deferred revenue at December 31, 2010 consists of corporate program revenues from 123 corporations invoiced and collected before December 31, 2010. Current deferred revenue of \$1,730,647 will be recognized as revenue in 2011. Long-term deferred revenue consists of \$38,038 that will be recognized in 2012 and \$1,364 that will be recognized in 2013.

10. Growth Capital Net Assets

As of December 31, 2010, growth capital net assets of the Organization consist of \$2,202,873 to be released through 2013. Net assets may be released only if the change in unrestricted net assets is less than 5% of the operating expenses for the year, to allow the entity to achieve a change in unrestricted net assets that is up to 5% of the operating expenses for the year. Growth capital net assets released from restrictions for the year ended December 31, 2010 were \$212,476.

11. Fair Value Measurements

Fair Value Measurement—Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements, continued

Fair Value Measurement–Definition and Hierarchy, continued

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1–quoted prices in active markets for identical investments.

Level 2–other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.).

Level 3–significant unobservable inputs (including the Foundation’s own assumptions in determining fair value instruments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table summarizes the Organization’s financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	2010	Quoted Prices in Active Markets of Identical Assets (Level 1)
Cash in bank and money market funds	\$ 5,062,592	\$ 5,062,592

12. In-Kind Revenue and Support

Donated services are reflected as revenues and expenses in the statement of activities. The Organization received an in-kind donation of an iPhone application in 2010 which is depreciated over three years (Note 6). Donated services and support for the year ended December 31, 2010, at their fair market values at the date of receipt, are as follows:

	Contributions	Expenses
Advertising	\$ 674,516	\$ 674,516
Legal counsel	186,959	186,959
Conferences	16,669	16,669
Dues and subscriptions	34,450	34,450
Total in-kind donated services	912,594	912,594
iPhone application (asset)	76,925	-
Total in-kind donated services and assets	\$ 989,519	\$ 912,594

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

12. In-Kind Revenue and Support, continued

In-kind legal services for 2010 were provided by a law firm with which a member of the Organization's board is affiliated in the amount of \$186,959. The Organization made no payments to this firm during 2010.

Other in-kind support and volunteer services are not of the type to be valued under the recognition criteria; therefore, no value has been reflected in the financial statements.

13. Operating Lease

The Organization entered into a non-cancelable rental lease for the location at 717 California Street in San Francisco, California. The lease commenced on May 1, 2007, with monthly rent of \$16,291 from January to April 2010, and \$16,816 since May 2010. The term of the lease is five years. Monthly rental payments will increase annually by \$526 per month on the anniversary of the rent commencement date.

	Cash	Expense	Deferral
2011	\$ 205,996	\$ 195,486	\$ 10,510
2012	69,366	65,162	4,204
Total	\$ 275,362	\$ 260,648	\$ 14,714

Rent expense for the year ended December 31, 2010 was \$192,049 which included approximately \$3,400 of refunded 2009 pass-through costs.

14. Pension Plan

The Organization has a defined contribution plan (the Plan) covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 401(k), Defined Contribution Retirement Plan. Under the 401(k) Plan, the Organization provided matches of 100% of participants' contributions to the Plan up to 4% of participants' annual compensation.

The amount of pension contribution recognized as expense in 2010 is \$74,587.

15. Concentrations

Cash and Cash Equivalents

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents. The Organization maintains cash and cash equivalents with two major financial institutions. As of December 31, 2010, the Organization was in excess of the federal depository insurance (FDIC) limit of \$250,000 at one financial institution.

Continued

IMPACT ONLINE, INC.
dba VOLUNTEERMATCH
NOTES TO FINANCIAL STATEMENTS

15. Concentrations, continued

Accounts Receivable

At December 31, 2010, 32% of the accounts receivable balance was from three entities.

Sponsorship Revenue

For the year ended December 31, 2010, 99% of sponsorship revenue was from one entity.

Growth Capital Pledges

For the year ended December 31, 2010, 100% of growth capital pledges, current, are from two donors. 100% of related party growth capital pledge, current, is from one donor who is a board member of the Organization.

16. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through April 11, 2011, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2010 through the report date that would require recognition or disclosure in the financial statements.