

# BUSINESS FOR SOCIAL RESPONSIBILITY

DECEMBER 31, 2008



INDEPENDENT AUDITORS' REPORT,

FINANCIAL STATEMENTS

AND

SINGLE AUDIT REPORTS AND SCHEDULES

# Business for Social Responsibility

## Single Audit Report

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## Independent Auditors' Report

THE BOARD OF DIRECTORS  
BUSINESS FOR SOCIAL RESPONSIBILITY  
San Francisco, California

We have audited the accompanying statement of financial position of ***Business for Social Responsibility (BSR)*** as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of BSR'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 BSR's December 31, 2007 financial statements, and, in our report dated September 17, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 BSR's internal control over financial reporting. An audit 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 BSR as of December 31, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009 on our consideration of BSR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements of BSR, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

*Hood & Strong LLP*

June 30, 2009

# Business for Social Responsibility

## Statement of Financial Position

<i>December 31,</i>	2008	2007
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,959,371	\$ 2,384,937
Receivables, net of allowance for doubtful accounts of \$100,533 and \$77,000 at December 31, 2008 and 2007, respectively	2,552,251	2,013,391
Contributions receivable	206,420	227,002
Prepaid expenses	528,117	240,772
Total current assets	5,246,159	4,866,102
<b>Equipment, Furniture and Leasehold Improvements,</b> at cost less accumulated depreciation of \$213,130 and \$122,134 at December 31, 2008 and 2007, respectively	241,272	180,526
Total assets	\$ 5,487,431	\$ 5,046,628
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,164,991	\$ 995,531
Deferred revenues	2,971,861	2,735,440
Total liabilities	4,136,852	3,730,971
<b>Net Assets:</b>		
Unrestricted	775,525	983,367
Temporarily restricted	575,054	332,290
Total net assets	1,350,579	1,315,657
Total liabilities and net assets	\$ 5,487,431	\$ 5,046,628

The accompanying notes are an integral part of this statement. 3

# Business for Social Responsibility

## Statement of Activities

*Year Ended December 31, 2008 (with comparative totals for the year ended December 31, 2007)*

	2008			2007 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Support and Revenues:</b>				
Consulting revenues	\$ 6,620,716		\$ 6,620,716	\$ 4,959,133
Membership dues	2,438,067		2,438,067	2,066,593
Conferences and seminars	2,021,480		2,021,480	2,036,507
Contributions	7,225	\$ 872,800	880,025	474,673
Government grants	653,705		653,705	439,030
Subscription revenue	45,333		45,333	114,750
Interest income	19,181		19,181	25,262
Product sales	12,778		12,778	12,219
Other	68,819		68,819	196,508
	11,887,304	872,800	12,760,104	10,324,675
<b>Net Assets Released from Restrictions - satisfaction of program restrictions</b>				
	630,036	(630,036)		
Total support and revenue	12,517,340	242,764	12,760,104	10,324,675
<b>Expenses:</b>				
Program services	10,477,172		10,477,172	7,635,952
Management and general	2,165,156		2,165,156	1,711,654
Fundraising	82,854		82,854	55,966
Total expenses	12,725,182		12,725,182	9,403,572
<b>Change in Net Assets</b>	(207,842)	242,764	34,922	921,103
<b>Net Assets, beginning of year</b>	983,367	332,290	1,315,657	394,554
<b>Net Assets, end of year</b>	\$ 775,525	\$ 575,054	\$ 1,350,579	\$ 1,315,657

The accompanying notes are an integral part of this statement. 4

# Business for Social Responsibility

## Statement of Functional Expenses

*Year Ended December 31, 2008 (with comparative totals for the year ended December 31, 2007)*

	2008				2007 Total
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 4,711,481	\$ 1,328,312	\$ 59,334	\$ 6,099,127	\$ 4,853,654
Payroll taxes and benefits	1,127,861	229,846	23,520	1,381,227	1,075,710
Conferences/workshops	705,788	9,148		714,936	677,543
Contractors/professional services	1,614,830	58,668		1,673,498	605,320
Travel	810,834	71,103		881,937	529,077
Information systems	14,039	187,242		201,281	203,208
Production costs	411,223	32,329		443,552	224,759
Taxes	44,365	1,693		46,058	93,305
Rent and occupancy	452,461	53,037		505,498	355,887
Marketing	47,415			47,415	19,035
General insurance	52,633	10,198		62,831	21,946
Office expense	141,537	115,228		256,765	193,271
Bad debts	54,090			54,090	28,978
Hiring	78,311	17,926		96,237	81,285
Postage and delivery	19,151	2,521		21,672	16,184
Temporary help	17,384	30,187		47,571	215,600
Staff development	27,642	12,935		40,577	8,624
Miscellaneous	55,131	4,783		59,914	152,666
<b>Total expenses before depreciation</b>	<b>10,386,176</b>	<b>2,165,156</b>	<b>82,854</b>	<b>12,634,186</b>	<b>9,356,052</b>
Depreciation expense	90,996			90,996	47,520
<b>Total expenses</b>	<b>\$ 10,477,172</b>	<b>\$ 2,165,156</b>	<b>\$ 82,854</b>	<b>\$ 12,725,182</b>	<b>\$ 9,403,572</b>

## Business for Social Responsibility

### Statement of Cash Flows

<i>Years Ended December 31,</i>	2008	2007
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 34,922	\$ 921,103
Adjustments to reconcile change in net assets to cash (used in) provided by operations:		
Depreciation	90,996	47,520
Changes in operating assets and liabilities:		
Receivables	(518,278)	(616,093)
Prepaid expenses and other assets	(287,345)	(176,338)
Accounts payable and accrued expenses	169,460	565,696
Deferred revenue	236,421	766,232
Cash (used in) provided by operations	(273,824)	1,508,120
<b>Cash Flows from Investing Activities:</b>		
Purchases of equipment and furniture	(151,742)	(2,617)
Sale of investments		126,136
Cash (used in) provided by investing activities	(151,742)	123,519
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(425,566)</b>	<b>1,631,639</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,384,937</b>	<b>753,298</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,959,371</b>	<b>\$ 2,384,937</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for taxes on unrelated business income	\$ 47,108	\$ 66,656



# Business for Social Responsibility

## Notes to Financial Statements

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### Note 1 - Description of the Organization:

Since 1992, Business for Social Responsibility (BSR), a nonprofit organization, has been a leading provider of innovative business solutions to many of the world's leading corporations. Headquartered in San Francisco and with offices in New York; Guangzhou, China; Beijing, China; Hong Kong; and Paris, France; BSR is a nonprofit business association that serves its 210 member companies and other Global 1000 enterprises. Through advisory services, convening and research, BSR works with corporations and concerned stakeholders of all types to create a more just and sustainable global economy. For more information, visit [www.bsr.org](http://www.bsr.org).

### Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

BSR's financial statements are prepared on the accrual basis of accounting.

b. Nature of Operations

Due to foreign government regulations, BSR created a subsidiary in Guangzhou, China. Transactions from that subsidiary are immaterial and are properly reflected in the financial statements. There were no intercompany transactions that needed to be eliminated.

c. Description of Net Assets

*Unrestricted Net Assets* - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

*Temporarily Restricted Net Assets* - the portion of net assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of BSR.

*Permanently Restricted Net Assets* - the portion of net assets which use is permanently limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of BSR. There are no permanently restricted net assets at December 31, 2008 and 2007.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of funds in checking accounts, money market accounts, and short-term certificates of deposit with original maturities of three months or less.

# Business for Social Responsibility

## Notes to Financial Statements

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e. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is maintained, based on past experiences and other circumstances.

Contributions receivable represent unconditional promises to give and are recorded at their net realizable value. If such promises to give are due in more than one year, they are discounted to the present value of their estimated future cash flows. An allowance for doubtful pledges is maintained, based on certain percentages of the future cash flows.

f. Equipment, Furniture and Leasehold Improvements

Property and equipment are recorded at cost at the date of acquisition or fair value at the date of donation, if donated. Depreciation is computed on the straight-line method over estimated useful lives of three years for equipment and seven years for furniture. Depreciation is provided on leasehold improvements over the remaining life of the lease.

g. Revenue Recognition

Consulting revenue is recognized as earned. On fixed fee contracts, if billings are submitted prior to the revenue being earned, the amount is recorded as deferred revenue and recognized when earned.

Revenue from membership dues is deferred and recognized over the periods to which the dues relate. Membership dues are available for the general programs of BSR unless specified for company member credit. Member credit is offered to certain member categories that entitles members to tailored benefits up to 30% of their dues. Unused member credit is recognized as dues revenue at the end of the member's dues year.

Conference and seminar revenue is recognized when the event is held. Amounts received prior to the events are recorded as deferred revenue.

Government funded contracts are recognized as revenue as related expenses are incurred. Cash received in advance of expenditures is classified as deferred revenue.

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to BSR. Unconditional promises to give are recognized as revenue and receivables in the period that BSR is notified of the promise. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Non-cash donations are recorded at the fair value of the gift at the date of the donation.

# Business for Social Responsibility

## Notes to Financial Statements

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BSR records contribution revenue and a related expense for certain donated services, at the fair value of those services, only if the services create or enhance nonfinancial assets or require specialized skills that would need to be purchased if not donated. No such contributions were recorded in 2008 and 2007.

Revenue from subscriptions is recognized in the period which it is earned. Unearned portions of subscriptions are recorded as deferred revenue.

h. Income Taxes

BSR has been granted tax-exempt status under Section 501(c)(3) by the Internal Revenue Service, under Section 1(d) of Title II of the District of Columbia Department of Finance and Revenue and under Section 23701(d) of the California Franchise Tax Board. Taxes are paid on unrelated business income which arises from certain consulting services.

i. Functional Expenses

Expenses have been charged to program or supporting service classifications based on direct expenditures incurred. Any expenditure not directly chargeable is allocated among program or support service classifications based upon management's assertions.

j. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BSR's statements for December 31, 2007 from which the summarized information was derived.

l. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurements* (FAS No. 157), which addresses how entities should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. BSR has evaluated FAS 157 and determined that it has no impact at this time, other than for non-financial instruments, for which it will become applicable in the next year and for which BSR has deemed will have an immaterial effect on the disclosures to the financial statements.

# Business for Social Responsibility

## Notes to Financial Statements

In February 2007, FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115*, (FAS No. 159), (effective as of the beginning of an entity's first fiscal year that begins after November 5, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. BSR has evaluated FAS 159 and determined that it does not choose to apply it at this time.

Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48), was issued in July 2006 and establishes standards for the recognition of income taxes for tax positions taken in income tax returns. In December 2008, a FASB Staff Position deferred the effective date for exempt organizations, permitting adoption for years beginning after December 15, 2008. BSR has elected to defer the implementation of FIN 48. BSR is not subject to income taxes due to its exempt status, but does incur taxes on certain unrelated business income. Most transactions are deemed related to the mission of BSR and those transactions not related are immaterial; therefore no provision for income taxes is included in these financial statements.

### Note 3 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following programs at December 31:

	2008	2007
China Training Institute PH II		\$ 44,152
MBA Curriculum Initiative	\$ 23,483	35,390
Ford Foundation, Human Rights	2,533	2,533
Ford Foundation, Human Rights Phase 3	43,766	182,373
Packard Foundation, Women's Health	17,708	57,941
Packard Foundation HER Project PH3	86,559	
Levi Strauss Foundation, HER Project	1,152	6,000
Levi Strauss Foundation HER Project Egypt	45,940	
Corporate Managers Guide Environmental Market	5,957	3,901
McArthur Foundation Labor Migration	193,191	
Rockefeller Brothers Water and Environ. Health	135,100	
British Embassy Supply Chain Carbon	19,665	
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	\$ 575,054	\$ 332,290