BUSINESS FOR SOCIAL RESPONSIBILITY

CONSOLIDATED FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS

DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

ARMANINO McKENNA LLP
Certified Public Accountants & Consultants

ARMANINO McKENNA LLP
Certified Public Accountants & Consultants
12667 Alcosta Blvd., Suite 500
San Ramon, CA 94583-4427
ph: 925.790.2600
fx: 925.790.2601
www.amllp.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Business for Social Responsibility
San Francisco, California

We have audited the accompanying consolidated statement of financial position of Business for Social Responsibility and subsidiaries ("BSR") as of December 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of BSR's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from BSR's 2009 consolidated financial statements and, in our report dated April 20, 2010, we expressed an unqualified opinion on those consolidated financial 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. 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, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of BSR 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated May 18, 2011 on our consideration of BSR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements 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 consolidated financial statements. Such information has been subjected to the audit procedures applied in our audit of the basic consolidated financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Armanino McKenna LLP

ARMANINO McKENNA LLP

May 18, 2011

BUSINESS FOR SOCIAL RESPONSBILITY
Consolidated Statement of Financial Position
December 31, 2010
(With Comparative Totals for 2009)

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 2,054,182	$ 2,245,199
Receivables, net of allowance for doubtful accounts of $51,484 and $58,340 at December 31, 2010 and 2009, respectively	3,543,581	2,610,673
Contributions receivable	361,127	-
Prepaid expenses and other assets	244,784	329,773
Total current assets	6,203,674	5,185,645
Lease deposits	118,390	81,387
Property and equipment, net	369,070	272,463
Total assets	$ 6,691,134	$ 5,539,495

LIABILITIES AND NET ASSETS

	2010	2009
Current liabilities		
Accounts payable	$ 809,112	$ 531,238
Accrued expenses	1,092,420	810,939
Deferred revenues	3,088,636	3,020,443
Capital lease obligations, current	44,800	-
Total current liabilities	5,034,968	4,362,620
Deferred rent	75,887	9,367
Capital lease obligations, non-current	18,683	-
Total liabilities	5,129,538	4,371,987
Net assets		
Unrestricted	1,065,173	690,729
Temporarily restricted	496,423	476,779
Total net assets	1,561,596	1,167,508
Total liabilities and net assets	$ 6,691,134	$ 5,539,495

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

BUSINESS FOR SOCIAL RESPONSIBILITY
Consolidated Statement of Activities
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Consulting revenues	$ 7,835,071	$ -	$ 7,835,071	$ 6,838,338
Conferences and seminars	1,928,225	-	1,928,225	1,437,453
Membership dues	2,808,222	-	2,808,222	2,530,767
Government grants	1,832,717	-	1,832,717	1,236,444
Contributions	58,831	595,000	653,831	443,688
Product sales	-	-	-	1,650
Interest income	2,100	-	2,100	5,392
Other	37,306	-	37,306	11,345
	14,502,472	595,000	15,097,472	12,505,077
Net assets released from restrictions	575,356	(575,356)	-	-
Total support and revenues	15,077,828	19,644	15,097,472	12,505,077
Expenses				
Program services	12,563,177	-	12,563,177	10,168,593
Management and general	2,079,536	-	2,079,536	2,422,190
Fundraising	60,671	-	60,671	97,365
Total expenses	14,703,384	-	14,703,384	12,688,148
Change in net assets	374,444	19,644	394,088	(183,071)
Net assets, beginning of year	690,729	476,779	1,167,508	1,350,579
Net assets, end of year	$ 1,065,173	$ 496,423	$ 1,561,596	$ 1,167,508

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

BUSINESS FOR SOCIAL RESPONSIBILITY
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	2010				2009
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 6,098,857	$ 910,031	$ 43,448	$ 7,052,336	$ 6,491,221
Payroll taxes and benefits	1,449,949	147,594	17,223	1,614,765	1,270,770
Conferences/workshops	732,806	15,376	-	748,181	555,492
Contractors/professional services	1,095,016	261,965	-	1,356,980	1,499,363
Travel	900,939	68,416	-	969,355	677,767
Information systems	59,411	251,559	-	310,970	223,688
Production costs	737,094	29,501	-	766,596	522,132
Taxes	96,526	1,187	-	97,713	74,895
Rent and occupancy	758,774	44,607	-	803,383	729,678
Marketing	67,737	-	-	67,737	23,925
General insurance	39,671	39,352	-	79,023	80,855
Office expense	245,711	169,963	-	415,674	319,310
Bad debts expense (recoveries)	20,352	-	-	20,352	(48,987)
Hiring	11,636	52,745	-	64,382	8,554
Postage and delivery	30,515	2,035	-	32,549	25,692
Temporary help	20,110	30,383	-	50,494	37,148
Staff development	31,134	31,233	-	62,367	59,830
Miscellaneous	33,052	2,262	-	35,314	8,525
Total expenses before depreciation and amortization	12,429,290	2,058,209	60,671	14,548,170	12,559,858
Depreciation and amortization expense	133,887	21,327	-	155,214	128,290
Total expenses	$ 12,563,177	$ 2,079,536	$ 60,671	$ 14,703,384	$ 12,688,148

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

BUSINESS FOR SOCIAL RESPONSIBILITY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 394,088	$ (183,071)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	155,214	128,290
Changes in operating assets and liabilities		
Receivables, net	(932,908)	(58,422)
Contributions receivable	(361,127)	206,420
Prepaid expenses and other assets	84,989	198,344
Lease deposits	(37,003)	(81,387)
Accounts payable and accrued expenses	559,355	177,186
Deferred revenues	68,193	48,582
Deferred rent	66,520	9,367
Net cash provided by (used in) operating activities	(2,679)	445,309
Cash flows from investment activities		
Purchase of property and equipment	(162,498)	(159,481)
Cash flows from financing activities		
Principal payments on capital lease obligations	(25,840)	-
Net increase (decrease) in cash and cash equivalents during the year	(191,017)	285,828
Cash and cash equivalents, beginning of the year	2,245,199	1,959,371
Cash and cash equivalents, end of the year	$ 2,054,182	$ 2,245,199
Non-cash investing and financing activities		
Acquisition of property and equipment through capital lease	$ 89,323	$ -

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

1. Description of the Organization

A leader in corporate responsibility since 1992, Business for Social Responsibility ("BSR"), a nonprofit organization, works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

2. Summary of Significant Accounting Policies

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include Business for Social Responsibility and its subsidiaries in Guangzhou, China and Paris, France. Transactions from the subsidiaries have been properly reflected in the consolidated financial statements. There are no intercompany transactions that need to be eliminated in consolidation.

Description of net assets

Unrestricted Net Assets represent 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. BSR reports as an increase in unrestricted net assets, any temporarily restricted revenue or support received in the same period in which the restrictions have been met.

Temporarily Restricted Net Assets represent 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 represent 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, 2010.

2. Summary of Significant Accounting Policies (continued)

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.

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. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote.

Contributions receivable

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 utilizing an interest rate commensurate with the risks involved. An allowance for doubtful contributions receivable is maintained, based on management's estimates of the future cash flows from such receivables.

Contributions receivable amounted to $361,127 at December 31, 2010 and are expected to be collected in 2011.

Equipment, furniture and leasehold improvements

Equipment, furniture, and leasehold improvements 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 software and seven years for furniture. Amortization is provided on leasehold improvements over the lesser of the estimated useful life of the respective assets or the related lease term.

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.

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

2. Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

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.

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.

BSR records contribution revenue and a related expense for certain donated services at the fair value of those services 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 2010.

Income taxes

BSR has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue code 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. No unrelated business income taxes were incurred in 2010.

BSR has evaluated its current tax positions and has concluded that as of December 31, 2010, BSR does not have any significant uncertain tax positions for which a liability would be necessary.

2. Summary of Significant Accounting Policies (continued)

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 estimates.

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.

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, 2009 from which the summarized information was derived.

Certain amounts in the 2009 comparative totals have been reclassified to conform to the 2010 financial statement presentation.

Subsequent events

BSR has evaluated subsequent events through May 18, 2011, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of BSR's financial statements.

3. Property and Equipment

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

Capital equipment	$550,939
Furniture and fixtures	173,909
Leasehold improvements	108,657
Software development	32,198
	865,703
Less: accumulated depreciation and amortization	(496,633)
	$369,070

Depreciation and amortization expense for the year ended December 31, 2010 was $155,214.

Included in capital equipment are assets under capital leases amounting to $89,323 and the related accumulated amortization of $32,110 as of December 31, 2010.

4. Accrued Expenses

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

Payroll and bonuses	$ 898,992
Other accrued expenses	193,428
	$1,092,420

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs at December 31, 2010:

Funder	Grant Description	
MacArthur Foundation	International Labor Migration	$198,123
Rockefeller Brothers Fund	Ports and Energy Efficiency	98,290
Levi Strauss Foundation	Taking Human Rights to Scale	88,259
Levi Strauss Foundation	HERproject Pakistan	49,825
Levi Strauss Foundation	HERproject India	47,422
Multiple Funders	MBA Curriculum Initiative	11,329
General Electric Foundation	Conflict Minerals 2	3,175
		$496,423

6. Capital Leases

During 2010, the Company entered into capital lease agreements to finance the acquisition of capital equipment (primarily computer hardware) valued at $89,323 based upon the present value of future minimum lease payments. The capital lease agreements require monthly payments ranging from $50 to $1,183, including interest of 3.25%, and expire at various dates through December 2012. The related assets secure these capital lease agreements. As of December 31, 2010, the Company had outstanding borrowings of $63,483 relating to these capital lease agreements.

Future payments required under the capital leases at December 31, 2010 are as follows:

Years Ending December 31:	
2011	$46,200
2012	18,915
	65,115
Less: interest portion	(1,632)
	63,483
Less: current portion	(44,800)
	$18,683

Interest expense on the capital lease agreements amounted to $1,445 for the year ended December 31, 2010.

7. Operating Leases

BSR operational headquarters is located in a leased facility located in San Francisco, California under a noncancelable operating lease expiring in 2012. BSR also maintains additional offices and leases in New York, New York; Washington D.C.; Guangzhou, China; Beijing, China; Hong Kong; and Paris, France.

BSR also maintains a $30,287 deposit on the San Francisco office, a $65,333 deposit on the Paris office, a $4,788 deposit on the Hong Kong office, a $4,537 deposit on the Guangzhou office and a $13,445 deposit on the Beijing office. These amounts are included in lease deposits as of December 31, 2010.

7. Operating Leases (continued)

Future minimum lease payments under operating leases, having remaining non-cancellable lease terms in excess of 1 year as of December 31, 2010, are as follows:

2011	$ 777,732
2012	420,614
2013	323,846
2014	338,869
2015	344,920
Thereafter	753,490
Total minimum operating lease payments	$2,959,471

Rental expense under all operating leases for the year ended December 31, 2010 was $803,383. Current exchange rates were used to calculate U.S. dollar obligations for foreign leases.

8. Pension Plan

BSR sponsors a 401(k) salary deferral plan for eligible U.S. employees. Participants may make contributions to the plan. Effective May 1, 2009, BSR suspended 401(k) matching contributions.

9. Related Party Transactions

BSR receives revenues from companies that employ members of the Board of Directors. For the year ended December 31, 2010, these revenues totaled approximately $146,000 in membership fees, $20,000 in contributions, $529,495 in consulting fees, $75,000 in conference sponsorships, and $11,475 in conference registration. Total amounts receivable from these companies, net of amounts payable, amounted to $234,954 at December 31, 2010.

10. Concentration of Credit Risk

BSR has identified its financial instruments which are potentially subject to credit risk as cash and receivables.

Receivables consist primarily of unsecured amounts due from companies and foundations. Credit risk is mitigated by the number of companies and foundations comprising the receivable balance. An allowance for doubtful accounts is also maintained.

11. Commitments and Contingencies

Certain grants and contracts require compliance with various requirements. Failure to comply with these requirements could results in disallowance of costs and potential repayment to the sponsor(s). However, BSR's management considers the likelihood of a need to return funds to sponsors to be remote.