Business for Social Responsibility

Consolidated Financial Statements

December 31, 2014
(With Comparative Totals for 2013)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Business for Social Responsibility and subsidiaries ("BSR"), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Business for Social Responsibility and subsidiaries as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited BSR's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Ramon, California

September 21, 2015

BUSINESS FOR SOCIAL RESPONSIBILITY
Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	$ 3,961,046	$ 4,088,237
Restricted cash	-	85,915
Accounts and grants receivable, net of allowance for doubtful accounts of $172,032 and $31,580 at December 31, 2014 and 2013, respectively	5,578,275	3,868,657
Prepaid expenses and other	268,264	162,076
Total current assets	9,807,586	8,204,885
Lease deposits	403,965	404,408
Fixed assets, net	909,447	1,107,906
Total assets	$ 11,120,998	$ 9,717,199

LIABILITIES AND NET ASSETS

	2014	2013
Current liabilities		
Accounts payable	$ 1,246,888	$ 423,429
Accrued salaries and related benefits	739,494	620,058
Accrued liabilities	174,343	240,481
Deferred revenues	4,142,607	4,274,517
Deferred rent, current	60,108	8,527
Capital lease obligations, current	16,609	30,683
Total current liabilities	6,380,049	5,597,695
Deferred rent, non-current	598,729	658,386
Capital lease obligations, non-current	6,803	24,254
Total liabilities	6,985,581	6,280,335
Net assets		
Unrestricted	663,118	436,631
Temporarily restricted	3,472,299	3,000,233
Total net assets	4,135,417	3,436,864
Total liabilities and net assets	$ 11,120,998	$ 9,717,199

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, 2014
(With Comparative Totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Consulting revenues	$ 10,920,373	$ -	$ 10,920,373	$ 10,960,081
Conferences and seminars	1,798,311	-	1,798,311	1,531,084
Membership dues	3,781,009	-	3,781,009	3,385,897
Government funded contracts	1,204,461	-	1,204,461	1,075,600
Foundation grants	2,115	1,429,825	1,431,940	2,227,443
Contributions	10,218	1,242,054	1,252,272	970,278
Interest income	2,236	-	2,236	2,399
Other income	220,992	-	220,992	136,255
In-kind revenue	35,000	-	35,000	459,270
	17,974,716	2,671,879	20,646,594	20,748,307
Net assets released from restrictions	2,199,813	(2,199,813)	-	-
Total support and revenues	20,174,529	472,066	20,646,594	20,748,307
Expenses				
Program services	16,757,732	-	16,757,732	14,818,736
Management and general	2,576,557	-	2,576,557	4,178,077
Fundraising	613,753	-	613,753	439,118
Total expenses	19,948,042	-	19,948,042	19,435,931
Change in net assets	226,487	472,066	698,552	1,312,376
Net assets, beginning of year	436,631	3,000,233	3,436,864	2,124,488
Net assets, end of year	$ 663,118	$ 3,472,299	$ 4,135,417	$ 3,436,864

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, 2014
(With Comparative Totals for 2013)

	2014				2013
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 7,334,009	$ 1,194,192	$ 430,946	$ 8,959,147	$ 8,901,790
Payroll taxes and benefits	2,421,300	235,618	84,527	2,741,445	2,676,196
Personnel recruiting/development	104,332	130,494	6,335	241,161	103,037
Contractors/professional services	1,088,510	204,399	12,451	1,305,360	2,229,727
Travel	2,090,833	93,731	45,752	2,230,316	1,108,683
Marketing	171	5,412	-	5,583	4,031
Production costs	502,307	4,264	65	506,636	323,388
Conferences/workshops	825,028	1,517	11	826,556	820,130
Rent and occupancy	993,246	359,511	-	1,352,757	1,214,472
Office expense	233,447	55,011	2,286	290,744	218,416
Information systems	288,098	140,679	12,216	440,993	466,929
Postage and delivery	29,278	1,743	600	31,621	31,676
Taxes and fees	238,476	40,431	38	278,945	230,168
General insurance	90,037	55,676	4,514	150,227	84,506
Bad debt expense	135,829	-	-	135,829	26,178
Miscellaneous	121,226	2,045	696	123,967	115,302
Donated services	35,000	-	-	35,000	459,270
Total expenses before depreciation and amortization	16,531,128	2,524,721	600,438	19,656,287	19,013,899
Depreciation and amortization expense	226,604	51,836	13,315	291,755	422,032
Total expenses	$ 16,757,732	$ 2,576,557	$ 613,753	$ 19,948,042	$ 19,435,931

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, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 698,552	$ 1,312,376
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	291,755	422,032
Loss on disposal of property and equipment	-	1,414
Changes in operating assets and liabilities		
Receivables, net	(1,709,618)	(84,784)
Prepaid expenses	(106,188)	65,745
Lease deposits	443	23,411
Accounts payable and accrued liabilities	757,321	105,842
Accrued salaries and related benefits	119,436	(66,877)
Deferred revenues	(131,910)	7,653
Deferred rent	(8,076)	46,248
Net cash provided by (used in) operating activities	(88,285)	1,833,060
Cash flows from investing activities		
Change in restricted cash	85,915	146,361
Purchase of fixed assets	(93,296)	(201,184)
Net cash used in investing activities	(7,381)	(54,823)
Cash flows from financing activities		
Principal payments on capital lease obligations	(31,525)	(69,362)
Increase (decrease) in cash and cash equivalents	(127,191)	1,708,875
Cash and cash equivalents, beginning of the year	4,088,237	2,379,362
Cash and cash equivalents, end of the year	$ 3,961,046	$ 4,088,237
Supplemental disclosure of cash flow information		
Interest paid	$ 9,674	$ 3,940
Taxes paid	$ 273,105	$ 244,502
Non-cash investing and financing activities		
Acquisition of property and equipment through capital lease	$ -	$ 32,433

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

1. Description of the Organization

Business for Social Responsibility ("BSR") is a global nonprofit organization that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

2. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the Organization and its wholly-owned subsidiaries in Guangzhou, China, Paris, France and Copenhagen, Denmark, Japan and its branch in Hong Kong (together, "BSR"). Transactions from all entities have been properly reflected in the consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

Basis of accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Basis of presentation

Financial accounting standards require nonprofit organizations to classify net assets in the accompanying consolidated statement of financial position and consolidated statement of activities in three classes of net assets based on the existence or absence of donor imposed restrictions.

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.

Temporarily Restricted Net Assets represent the portion of net assets for which use is limited by donor-imposed stipulations that either expire by passage of time and/or can be fulfilled and removed by actions of BSR. BSR reports temporarily restricted revenue or support received in the same period in which the restrictions have been met as temporarily restricted revenue and a release from restriction.

2. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

Permanently Restricted Net Assets represent the portion of net assets for which use is permanently restricted 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, 2014.

Cash and cash equivalents

Cash and cash equivalents consist of funds in checking accounts and savings accounts.

Accounts receivable

Accounts receivable 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 known 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.

Grants receivable

Grants receivable consist of amounts due from foundations and government entities. At December 31, 2014, grants receivable amounted to $501,289 and is included as part of accounts receivables. Management believes this amount is collectible; therefore, no allowance for doubtful accounts has been provided on grants receivable.

Fixed assets

BSR capitalizes additions of fixed assets on the date of acquisition with a cost in excess of $1,000 or fair value, if donated. Depreciation is computed on the straight-line method over estimated useful lives of two to three years for IT equipment and software, and seven years for furniture. Leasehold improvements are amortized 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.

2. Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

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

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 recognized as revenue when the donor makes an unconditional promise to give. Unconditional promises to give are recognized as revenue and receivables in the period in which notification of the promise is received. 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 consolidated statement of activities as net assets released from restrictions.

Donated services

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

Contribution revenue and a related expense is recorded for donated services at the fair value of those services if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise need to be purchased if not donated. Noncash contributions received during the year ended December 31, 2014 amounted to $35,000 and consisted primarily of donated professional services.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates. The remaining costs are charged directly to the appropriate functional category.

2. Summary of Significant Accounting Policies (continued)

Income taxes

The Organization 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 Code, and under Section 23701(d) of the California Revenue and Taxation Code and generally is not subject to state or federal income taxes. Taxes are paid on unrelated business income which arises from certain consulting services. The Organization had no engagements that qualified as unrelated business in 2014.

The subsidiaries and Hong Kong branch of the Organization are all subject to income taxes in foreign jurisdictions. The Chinese subsidiary is a wholly-foreign-owned enterprise and the French subsidiary is a 1901 Association. Income tax expense is provided for based on management's estimates of tax liability in those jurisdictions. Tax expense recorded for foreign jurisdictions during 2014 was $183,857.

BSR reviews and assesses tax positions taken or expected to be taken against the more-likely-than-not recognition threshold and measurement attributes for recognition on the consolidated financial statements. BSR'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. As the Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the tax positions taken or expected to be taken by the Organization have not had a material impact on the consolidated financial statements.

Concentrations of credit risk

BSR maintains the majority of its cash deposits with one financial institution. Such amounts may at times exceed Federal Deposit Insurance Corporation limits. To date, BSR has not experienced any losses in these accounts.

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.

2. Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and revenue and expenses, as well as contingent assets and liabilities during the reporting period. Actual results could differ from those estimates. The key estimates that require significant judgment by management include the allocation of functional expenses, allowance for doubtful accounts, useful lives of long-lived assets, and the short term and long term nature of assets and liabilities.

Prior year information

The consolidated 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 consolidated financial statements for December 31, 2013 from which the summarized information was derived.

Subsequent events

BSR evaluated subsequent events for recognition and disclosure through September 21, 2015, the date the consolidated 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. Fixed Assets

Fixed assets consisted of the following at December 31, 2014:

Software development	$ 200,687
IT equipment	555,442
Furniture and fixtures	520,010
Leasehold improvements	809,387
	2,085,526
Less: accumulated depreciation and amortization	(1,176,079)
	$ 909,447

3. Fixed Assets (continued)

Depreciation and amortization expense for the year ended December 31, 2014 was $291,755.

Included in IT equipment are assets under capital leases amounting to $177,882 and the related accumulated amortization of $154,476 as of December 31, 2014.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs at December 31, 2014:

Funder	Grant Description	Amount
Ann Inc.	Women's Empowerment Program	$ 166,490
Avery Dennison	HERproject	100,000
Bloomberg	HERfinance	115,577
BNY Mellon	Research Excellence in Impact Investing	105,685
C&A Foundation	HERproject	77,501
Cisco	HERfinance	150,000
GAIN	Factory Based Nutrition	335,625
GE Foundation	HERfinance	1,795
Levi Strauss Foundation	Community Vote	7,099
Levi Strauss Foundation	HERfinance	8,107
Levi Strauss Foundation	HERhealth	41,322
Levi Strauss Foundation	HERProject	159,839
Levi Strauss Foundation	HERproject India	2,073
Levi Strauss Foundation	Measurement Convening	3,087
Levi Strauss Foundation	Worker Prof Development	5,630
Li & Fung	HERhealth	18,109
Motorola	Women's Economic Empowerment	50,000
Qualcomm	E-health	135,403
Rockefeller Foundation	Regional Fund	22,966
The Walmart Foundation	Women Factory Training Program	1,466,501
The Walt Disney Foundation	HERfinance Support	231,744
Various Contributors	HERfinance	11,935
Various Contributors	HERHealth	251,333
We Mean Business	Core Funding	4,478
		$3,472,299

5. Capital Leases

In previous fiscal years, BSR entered into long term capital lease agreements to finance the acquisition of capital equipment (primarily computer hardware) valued at $87,970 and equipment valued at $32,433 based upon the present value of future minimum lease payments. The capital lease agreements require monthly payments ranging from $50 to $2,260, including interest rates ranging from 3.13% to 4.17%, and expire at various dates through January 2017. The related assets secure these capital lease agreements. As of December 31, 2014, the Company had outstanding borrowings of $24,255 relating to these capital lease agreements. Interest expense on the capital lease agreements amounted to $1,515 for the year ended December 31, 2014.

Future payments required under the capital leases at December 31, 2014 are as follows:

Years Ending December 31:	
2015	$17,451
2016	5,978
2017	826
	24,255
Less: interest portion	(843)
	23,412
Less: current portion	(16,609)
	$ 6,803

6. Operating Leases

BSR recognizes all rent expense on a straight line basis. BSR maintains offices and leases in San Francisco, California, U.S.; New York, New York, U.S.; Guangzhou, China; Shanghai, China; Hong Kong; Copenhagen, Denmark; and Paris, France.

In May 2014, BSR exercised the lease renewal option for the office located in Guangzhou, China. The lease renewal has a term of 2 years, beginning May 1, 2014, and expiring April 30, 2016. The lease calls for monthly payments of $3,243 for the duration of the lease.

In September 2014, BSR's lease agreement for the office located in Copenhagen, Denmark expired and the current rental agreement is now month to month.

Effective September 1, 2014, the office located in Beijing, China was closed.

6. Operating Leases (continued)

Future minimum lease payments under operating leases, having remaining non-cancellable lease terms as of December 31, 2014, are as follows:

2015	$1,281,894
2016	1,148,008
2017	1,086,227
2018	966,723
2019	667,261
Thereafter	1,252,820
Total minimum operating lease payments	$6,402,933

Rental expense under all operating leases for the year ended December 31, 2014 was $1,289,808.

7. Retirement Plans

The Organization sponsors a 401(k) salary deferral plan for eligible U.S. employees. Participants may make contributions to the plan. During 2014, employer match contributions to this plan totaled $20,780.

On August 1, 2004, BSR established a voluntary salary deferral plan for the Chief Executive Officer ("Participant") under IRC Section 457(b). During 2014, employer contributions to the plan totaled $17,027. The Participant is immediately vested in employer contributions.

8. Related Party Transactions

BSR receives revenues from companies that employ members of the Board of Directors. For the year ended December 31, 2014, BSR recognized revenues that totaled $319,208 in membership fees, $499,552 in consulting fees, $4,300 in conference registration and $347,000 in contributions from such companies. Total amounts receivable from these companies was $350,399 at December 31, 2014.

9. Commitments and Contingencies

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