Business for Social Responsibility

Consolidated Financial Statements

December 31, 2015
(With Comparative Totals for 2014)

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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, 2015, 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 consolidated 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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino LLP

San Ramon, California

April 1, 2016

BUSINESS FOR SOCIAL RESPONSIBILITY
Consolidated Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 6,039,965	$ 3,961,046
Restricted cash	-	-
Accounts and grants receivables, net of allowance for doubtful accounts of $171,712 and $172,032 at December 31, 2015 and 2014, respectively	10,340,108	5,578,275
Prepaid expenses and other	697,220	268,264
Total current assets	17,077,293	9,807,586
Lease deposits	461,738	403,965
Fixed assets, net	759,688	909,447
Total assets	$ 18,298,719	$ 11,120,998

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities		
Accounts payable	$ 1,137,225	$ 1,246,888
Accrued salaries and related benefits	947,390	739,494
Accrued liabilities	150,457	174,343
Deferred revenues	6,155,212	4,142,607
Deferred rent, current	84,057	60,108
Capital lease obligations, current	5,977	16,609
Total current liabilities	8,480,318	6,380,049
Deferred rent, non-current	507,032	598,729
Capital lease obligations, non-current	826	6,803
Total liabilities	8,988,176	6,985,581
Net assets		
Unrestricted net assets (deficit)	(53,216)	663,118
Temporarily restricted net assets	9,363,759	3,472,299
Total net assets	9,310,543	4,135,417
Total liabilities and net assets	$ 18,298,719	$ 11,120,998

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, 2015
(With Comparative Totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues				
Consulting revenues	$ 9,464,288	$ -	$ 9,464,288	$ 10,920,373
Conferences and seminars	1,499,538	-	1,499,538	1,798,311
Membership dues	4,612,583	-	4,612,583	3,781,009
Government funded contracts	859,077	-	859,077	1,204,461
Foundation grants	-	8,614,945	8,614,945	1,431,940
Contributions	37,698	949,633	987,331	1,252,272
Interest income	2,857	-	2,857	2,236
Other income	157,970	-	157,970	220,992
In-kind revenue	35,000	-	35,000	35,000
	16,669,011	9,564,578	26,233,589	20,646,594
Net assets released from restrictions	3,673,118	(3,673,118)	-	-
Total support and revenues	20,342,129	5,891,460	26,233,589	20,646,594
Expenses				
Program services	18,441,719	-	18,441,719	17,371,485
Management and general	2,616,744	-	2,616,744	2,576,557
Total expenses	21,058,463	-	21,058,463	19,948,042
Change in net assets	(716,334)	5,891,460	5,175,126	698,552
Net assets, beginning of year	663,118	3,472,299	4,135,417	3,436,864
Net assets (deficit), end of year	$ (53,216)	$ 9,363,759	$ 9,310,543	$ 4,135,417

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, 2015
(With Comparative Totals for 2014)

	2015									2014
	Environmental Sustainability	Governance Sustainability	Social Sustainability	Member Services	Proposal Development	Conference	Total Program Services	Management and General	Total Expenses	Total Expenses
Salaries	$ 1,541,852	$ 1,663,949	$ 3,498,353	$ 347,433	$ 1,140,266	$ 376,834	$ 8,568,687	$ 1,036,490	$ 9,605,177	$ 8,959,147
Payroll taxes and benefits	401,194	432,963	910,280	90,403	296,700	98,053	2,229,593	269,697	2,499,290	2,741,445
Personnel recruiting/development	35,059	37,835	79,545	7,900	25,927	8,568	194,834	23,568	218,402	241,161
Contractors/professional services	4,474	27,380	1,338,260	364	71,374	88,310	1,530,162	677,029	2,207,191	1,305,360
Travel	273,576	296,365	932,606	23,425	307,882	74,898	1,908,752	30,599	1,939,351	2,230,316
Marketing	6,547	7,065	14,854	121	100	515	29,202	-	29,202	5,583
Production	33,067	2,931	142,726	5,300	5,478	323,315	512,817	738	513,555	506,636
Conferences and workshops	4,007	12,209	40,304	13,635	5,224	457,649	533,028	26,135	559,163	826,556
Rent and occupancy	213,379	230,276	484,141	48,082	157,803	52,150	1,185,831	143,441	1,329,272	1,352,757
Office expense	11,347	111,191	43,172	174	4,179	1,113	171,176	72,095	243,271	290,744
Information systems	100,694	108,667	228,466	22,690	74,467	24,610	559,594	67,690	627,284	440,993
Postage and delivery	40	79	13,479	-	1,215	18,040	32,853	13,534	46,387	31,621
Taxes and fees	6,243	98,279	45,474	110,020	4,036	37,276	301,328	178,835	480,163	278,945
General insurance	24,383	26,314	55,324	5,494	18,032	5,959	135,506	16,391	151,897	150,227
Bad debt expense	-	-	4,392	-	-	-	4,392	-	4,392	135,829
Miscellaneous	5,372	35,848	184,372	18,907	-	1,039	245,538	28,638	274,176	123,967
Donated services	-	-	-	-	-	35,000	35,000	-	35,000	35,000
Sub total before depreciation and amortization expense	2,661,234	3,091,351	8,015,748	693,948	2,112,683	1,603,329	18,178,293	2,584,880	20,763,173	19,656,287
Depreciation and amortization expense	47,401	51,155	107,549	10,681	35,055	11,584	263,426	31,864	295,290	291,755
Total expenses	$ 2,708,635	$ 3,142,506	$ 8,123,297	$ 704,629	$ 2,147,738	$ 1,614,913	$ 18,441,719	$ 2,616,744	$ 21,058,463	$ 19,948,042

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, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 5,175,126	$ 698,552
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	295,290	291,755
Changes in operating assets and liabilities		
Receivables, net	(4,761,833)	(1,709,618)
Prepaid expenses	(428,955)	(106,188)
Lease deposits	(57,773)	443
Accounts payable and accrued liabilities	(133,549)	757,321
Accrued salaries and related benefits	207,896	119,436
Deferred revenues	2,012,605	(131,910)
Deferred rent	(67,748)	(8,076)
Net cash provided by (used in) operating activities	2,241,059	(88,285)
Cash flows from investing activities		
Change in restricted cash		85,915
Purchase of fixed assets	(145,531)	(93,296)
Net cash used in investing activities	(145,531)	(7,381)
Cash flows from financing activities		
Principal payments on capital lease obligations	(16,609)	(31,525)
Increase (decrease) in cash and cash equivalents	2,078,919	(127,191)
Cash and cash equivalents, beginning of the year	3,961,046	4,088,237
Cash and cash equivalents, end of the year	$ 6,039,965	$ 3,961,046
Supplemental disclosure of cash flow information		
Interest paid	$ 385	$ 9,674
Taxes paid	$ 367,121	$ 273,105

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 develop sustainable business strategies and solutions through consulting, research and cross sector collaboration. With seven offices in Asia, Europe and North America, BSR uses its expertise in environment, climate, 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 about BSR's more than 20 years of leadership in corporate responsibility.

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"). 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, 2015.

Cash and cash equivalents

Cash and cash equivalents consist of funds in bank 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, 2015, grants receivable amounted to $4,245,555 and is included as part of accounts and grants 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.

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, 2015 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 2370l(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 2015.

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 2015 was $72,309.

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, 2014 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

BSR evaluated subsequent events for recognition and disclosure through April 1, 2016, 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, 2015:

Software development	$ 92,570
IT equipment	582,562
Furniture and fixtures	547,468
Leasehold improvements	778,391
	2,000,991
Less: accumulated depreciation and amortization	(1,241,303)
	$ 759,688

3. Fixed Assets (continued)

Depreciation and amortization expense for the year ended December 31, 2015 was $295,290.

Included in IT equipment are assets under capital leases amounting to $177,882 and the related accumulated amortization of $170,732 as of December 31, 2015.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following December 31, 2015:

	Beginning Balance	Revenue	Released from Restriction	Ending Balance
Climate Change	$ 27,443	$1,342,000	$ (955,543)	$ 413,900
General Program	75,838	-	-	75,838
HER Project	1,311,035	5,376,221	(1,160,159)	5,527,097
Inclusive Economy	15,816	1,813,977	(161,813)	1,667,980
Supply Chain Sustainability	1,936,473	1,012,380	(1,269,909)	1,678,944
Sustainability Management	105,694	20,000	(125,694)	-
	$3,472,299	$9,564,578	$(3,673,118)	$9,363,759

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, 2015, the Company had outstanding borrowings of $6,803 relating to these capital lease agreements. Interest expense on the capital lease agreements amounted to $715 for the year ended December 31, 2015.

5. Capital Leases (continued)

Future payments required under the capital leases at December 31, 2015 are as follows:

Years Ending December 31:	
2016	$6,089
2017	841
	6,930
Less: interest	(127)
	6,803
Less: current portion	(5,977)
Non-current portion	$ 826

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 October 2015, BSR exercised the renewal option for the office located in Hong Kong. The lease renewal has a term of 2 years, beginning October 17, 2015 and expiring on October 16, 2017. The lease calls for monthly payments of $9,810 for the duration of the lease.

In November 2015, BSR began leasing an office located in Shanghai, China. The lease has a term of 2 years and one month, beginning November 1, 2015, and expiring December 31, 2017. The lease calls for monthly payments of $4,334 for the duration of the lease.

Future minimum lease payments under operating leases, having remaining non-cancellable lease terms as of December 31, 2015, are as follows:

2016	$1,179,102
2017	1,094,925
2018	843,061
2019	578,537
2020	490,362
Thereafter	572,089
Total minimum operating lease payments	$4,758,076

Rental expense under all operating leases for the year ended December 31, 2015 was $1,329,272.

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 2015, employer match contributions to this plan totaled $29,775.

On August 1, 2004, BSR established a voluntary salary deferral plan for the Chief Executive Officer ("Participant") under IRC Section 457(b). During 2015, employer contributions to the plan totaled $18,660. 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, 2015, BSR recognized revenues that totaled $177,162 in membership fees, $109,665 in consulting fees and $40,000 in conference sponsorship from such companies. Total amounts receivable from these companies was $65,015 at December 31, 2015.

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.