

Business for Social Responsibility and Subsidiaries

Consolidated Financial Report
December 31, 2023

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Independent Auditors' Report

Board of Directors
Business for Social Responsibility

Opinion

We have audited the consolidated financial statements of Business for Social Responsibility and Subsidiaries (collectively, BSR), which comprise the consolidated statement of financial position as of December 31, 2023, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BSR as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BSR and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of BSR as of and for the year ended December 31, 2022, were audited by other auditors whose report, dated April 17, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BSR's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BSR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BSR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Kansas City, MO
April 29, 2024

Business for Social Responsibility and Subsidiaries

Consolidated Statements of Financial Position December 31, 2023

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,902,413	\$ 13,466,588
Accounts and grants receivable, net	9,633,764	8,824,640
Prepaid expenses and other current assets	1,036,343	332,422
Total current assets	26,572,520	22,623,650
Accounts and grants receivable, net, noncurrent	3,380,000	4,260,000
Lease deposits	970,156	760,724
Property and equipment, net	257,448	379,525
Operating lease right-of-use assets, net	3,599,305	4,411,860
Total other assets	8,206,909	9,812,109
Total assets	\$ 34,779,429	\$ 32,435,759
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 725,677	\$ 291,629
Accrued salaries and related benefits	2,332,353	2,030,869
Accrued liabilities—other	974,601	239,273
Deferred revenue	8,989,258	9,274,481
Operating lease liabilities, current portion	971,434	869,336
Total current liabilities	13,993,323	12,705,588
Long-term liabilities:		
Operating lease liabilities, net of current portion	2,940,992	3,893,020
Total long-term liabilities	2,940,992	3,893,020
Total liabilities	16,934,315	16,598,608
Net assets:		
Without donor restrictions	5,876,513	5,158,431
With donor restrictions	11,968,601	10,678,720
Total net assets	17,845,114	15,837,151
Total liabilities and net assets	\$ 34,779,429	\$ 32,435,759

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Consulting revenues	\$ 24,257,949	\$ -	\$ 24,257,949
Conferences and seminars	32,117	-	32,117
Membership dues	9,084,497	-	9,084,497
Government-funded contracts	552,619	-	552,619
Foundation grants	-	7,704,418	7,704,418
Contributions	275	-	275
Interest income	13,203	-	13,203
Other income	1,058	-	1,058
Net assets released from restrictions	6,414,371	(6,414,371)	-
Total support and revenue	40,356,089	1,290,047	41,646,136
Expenses:			
Program services	28,600,069	-	28,600,069
Support services	11,028,756	-	11,028,756
Total expenses	39,628,825	-	39,628,825
Change in net assets from operations	727,264	1,290,047	2,017,311
Other nonoperating change in net assets:			
Cumulative foreign currency translation adjustment	(9,182)	(166)	(9,348)
Total other nonoperating change in net assets	(9,182)	(166)	(9,348)
Change in net assets	718,082	1,289,881	2,007,963
Net assets, beginning of year	5,158,431	10,678,720	15,837,151
Net assets, end of year	\$ 5,876,513	\$ 11,968,601	\$ 17,845,114

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Consulting revenues	\$ 23,453,763	\$ -	\$ 23,453,763
Conferences and seminars	40,000	-	40,000
Membership dues	8,039,285	-	8,039,285
Government-funded contracts	879,181	-	879,181
Foundation grants	-	9,959,776	9,959,776
Contributions	209	-	209
Interest income	4,954	-	4,954
Other income	1,149	-	1,149
Net assets released from restrictions	3,547,471	(3,547,471)	-
Total support and revenue	35,966,012	6,412,305	42,378,317
Expenses:			
Program services	26,923,447	-	26,923,447
Support services	10,063,400	-	10,063,400
Total expenses	36,986,847	-	36,986,847
Change in net assets from operations	(1,020,835)	6,412,305	5,391,470
Other nonoperating change in net assets:			
Cumulative foreign currency translation adjustment	(126,144)	-	(126,144)
Total other nonoperating change in net assets	(126,144)	-	(126,144)
Change in net assets	(1,146,979)	6,412,305	5,265,326
Net assets, beginning of year	6,305,410	4,266,415	10,571,825
Net assets, end of year	\$ 5,158,431	\$ 10,678,720	\$ 15,837,151

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2023**

	2023										
	Program Services							Support Services			Total Expenses
	Climate Change	Nature	EIJ	Human Rights	Sustainability Management	RISE	Membership	General Program	Total Program Services	Management and General	
Expenses:											
Salaries	\$ 836,131	\$ 204,576	\$ 741,849	\$ 1,602,271	\$ 1,363,983	\$ 624,677	\$ 1,143,628	\$ 11,020,814	\$ 17,537,929	\$ 4,950,237	\$ 22,488,166
Payroll taxes and benefits	319,059	91,091	298,088	612,760	524,542	363,644	483,489	2,185,887	4,878,560	1,605,351	6,483,911
Personnel recruiting/development	-	-	-	-	-	-	-	123,371	123,371	157,361	280,732
Contractors/professional services	446,147	913,342	464,651	119,773	463,813	1,686,668	21,947	211,411	4,327,752	658,478	4,986,230
Travel	87,413	8,178	46,775	204,567	73,801	217,519	32,175	425,081	1,095,509	40,050	1,135,559
Marketing	25,611	-	-	-	-	9,785	-	1,155	36,551	17,054	53,605
Production	-	-	-	-	-	43,305	1,463	-	44,768	66	44,834
Conferences and workshops	9,401	3,698	24,626	101,642	3,217	44,434	45,526	58,470	291,014	32,080	323,094
Rent and occupancy	23	-	-	-	-	-	-	98,842	98,865	1,461,314	1,560,179
Office expenses	4,726	536	1,618	697	7,737	16,060	1,047	46,331	78,752	157,335	236,087
Information systems	395	301	1,047	24,201	1,929	9,486	392	6,313	44,064	1,044,102	1,088,166
Postage and delivery	1,884	12	-	22	-	2,932	1,616	3,287	9,753	6,217	15,970
Taxes and fees	1,721	196	457	3,130	3,756	1,020	4,587	9,680	24,547	459,466	484,013
General insurance	-	-	-	-	-	185	-	-	185	180,004	180,189
Bad debt expense (recovery)	(4,100)	2,644	-	-	2,706	(6,139)	(7,000)	-	(11,889)	-	(11,889)
Miscellaneous	3,582	(3,614)	1,072	2,724	(30,723)	3,791	4,203	39,303	20,338	45,988	66,326
Depreciation and amortization	-	-	-	-	-	-	-	-	-	213,653	213,653
Total expenses	\$ 1,731,993	\$ 1,220,960	\$ 1,580,183	\$ 2,671,787	\$ 2,414,761	\$ 3,017,367	\$ 1,733,073	\$ 14,229,945	\$ 28,600,069	\$ 11,028,756	\$ 39,628,825

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	2022											
	Program Services								Support Services			
	Climate Change	Nature	EIJ	Human Rights	Sustainability Management	RISE	Conference	Membership	General Program	Total Program Services	Management and General	Total Expenses
Expenses:												
Salaries	\$ 661,497	\$ 52,292	\$ 587,557	\$1,206,278	\$1,261,508	\$ 583,533	\$ 147,603	\$ 767,885	\$10,591,410	\$15,859,563	\$ 4,547,061	\$ 20,406,624
Payroll taxes and benefits	266,571	27,808	256,814	511,227	547,412	320,045	63,136	320,711	2,349,509	4,663,233	1,256,169	5,919,402
Personnel recruiting/development	-	-	-	-	-	25	-	-	246,402	246,427	66,239	312,666
Contractors/professional services	372,448	416,902	208,790	441,105	969,581	1,878,538	33,397	3,258	259,832	4,583,851	720,615	5,304,466
Travel	35,516	6,320	21,070	99,785	28,096	122,698	12,265	1,871	449,774	777,395	19,648	797,043
Marketing	12,989	-	-	-	-	-	157	-	125	13,271	20,058	33,329
Production	-	-	325	15,404	33	30,283	20,821	-	-	66,866	92	66,958
Conferences and workshops	-	1,497	227	11,838	71	15,855	63,093	-	26,055	118,636	344,534	463,170
Rent and occupancy	-	-	-	-	-	11,782	-	-	62,456	74,238	1,366,497	1,440,735
Office expenses	5,970	14	888	768	3,103	2,587	573	160	35,213	49,276	168,905	218,181
Information systems	302	60	491	13,426	308	11,191	4,679	-	7,469	37,926	946,452	984,378
Postage and delivery	-	-	-	85	133	1,082	4,359	-	1,973	7,632	11,381	19,013
Taxes and fees	1,152	-	334	911	6,512	147	101	3,477	140,613	153,247	116,609	269,856
General insurance	-	-	-	-	-	609	-	-	(1,023)	(414)	189,542	189,128
Bad debt expense (recovery)	(24,725)	-	-	(32,301)	2,062	(4,050)	-	2,900	-	(56,114)	-	(56,114)
Miscellaneous	7,158	21,398	(3,902)	26,347	215,334	(637)	171	1,711	60,836	328,416	55,434	383,850
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	234,162	234,162
Total expenses	\$1,338,878	\$ 526,291	\$1,072,594	\$2,294,873	\$3,034,153	\$2,973,688	\$ 350,355	\$1,101,973	\$14,230,644	\$26,923,449	\$10,063,398	\$ 36,986,847

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Consolidated Statements of Cash Flows Year Ended December 31, 2023

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,007,963	\$ 5,265,326
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	213,653	234,162
Amortization of operating lease right-of-use asset	812,555	652,696
Loss on disposals of property and equipment	-	3,708
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	70,876	(4,925,775)
Prepaid expenses and other current assets	(703,921)	237,118
Lease deposits	(209,432)	(111,433)
Accounts payable	434,048	(68,870)
Accrued salaries and related benefits	301,484	(532,848)
Accrued liabilities—other	735,328	170,497
Deferred revenue	(285,223)	(187,913)
Deferred rent	-	(256,414)
Operating lease liability	(849,930)	(302,200)
Net cash provided by operating activities	2,527,401	178,054
Cash flows from investing activities:		
Purchases of property and equipment	(91,576)	(134,923)
Net cash used in investing activities	(91,576)	(134,923)
Net increase in cash and cash equivalents	2,435,825	43,131
Cash and cash equivalents, beginning of year	13,466,588	13,423,457
Cash and cash equivalents, end of year	\$ 15,902,413	\$ 13,466,588
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Taxes	\$ 362,205	\$ 138,885
Supplemental schedule of noncash investing and financing activities:		
Right-of-use asset obtained in exchange for lease liability	\$ -	\$ 5,064,556

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Operations

Business for Social Responsibility and Subsidiaries (BSR) is a global nonprofit organization that works with its network of more than 300 global member companies to develop sustainable business strategies and solutions through consulting, research and cross-sector collaboration. With eight 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 30 years of leadership in corporate responsibility.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: 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 (U.S. GAAP).

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

Net assets without donor restrictions: Contributions and other inflows of assets that are not subject to donor imposed stipulations but may be designated for specific purposes by action of the Board of Trustees (Board). Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment. No Board designations existed on December 31, 2023 or 2022.

Net assets with donor restrictions: Net assets are those whose 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. Contributions to be held in perpetuity as directed by the donors are also included if applicable. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

Basis of consolidation: The consolidated financial statements include Business for Social Responsibility and its wholly owned subsidiaries in China, France, Denmark, Japan, its branch in Hong Kong and Singapore (together, BSR). All significant intercompany transactions have been eliminated in consolidation.

Foreign currency translation: The financial statements of BSR's foreign subsidiaries are translated into U.S. dollars using the current rate method. Statement of financial position accounts are translated into U.S. dollars at the rate of exchange in effect at period-end, and revenue and expenses are translated at average rates of exchange in effect during the period. The effects of the foreign currency translation are included in other nonoperating changes in net assets.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents consist of funds for operations held in bank accounts.

Accounts and grants receivable: Accounts receivable consist of amounts due from consulting contracts, conferences and membership. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible.

Grants receivable consist of amounts due from foundations and government entities. As of December 31, 2023 and 2022, grants receivable amounted to \$7,191,575 and \$6,859,500, respectively. Grants receivables are included as part of accounts and grants receivable, net within the consolidated statements of financial position. Certain grants receivable are expected to be collected during the years 2024, 2025 and 2026 as follows: 2024—\$3,811,575, 2025—\$2,580,000, 2026—\$800,000 and are classified as long-term receivables in the consolidated statement of financial position as of December 31, 2023.

Management believes the grants receivable are fully collectible and therefore no allowance for doubtful accounts has been recorded at December 31, 2023 and 2022.

Allowance for credit losses and doubtful accounts: BSR adopted Accounting Standards Codification (ASC) 326, Financial Instruments – Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets and non-current receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023 and 2022 is \$16,320 and \$35,873, respectively.

Property and equipment: BSR capitalizes additions of property and equipment on the date of acquisition with a cost in excess of \$1,000 or at fair value, if donated. Depreciation is computed on the straight-line method over estimated useful lives of three to five years for IT equipment and software, and seven years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the estimated useful life of the respective assets or the related lease term.

Revenue recognition and deferred revenue: Consulting revenue is recognized when services are provided. The contracts are reciprocal agreements and BSR recognizes this revenue in accordance with the five-step model under the guidance in Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers as follows:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

On fixed-fee contracts, consulting revenue is recognized over time. When billings are submitted prior to the revenue being earned, the amount is recorded as deferred revenue and recognized when earned. Revenues for contracts that contain multiple performance obligations are allocated upon the full contract value as BSR measures deliverables in units of consulting time on a percentage of completion basis towards the final product delivered to the customer.

As of December 31, 2023 and 2022, contract liabilities of \$5,315,464 and \$6,144,024, respectively, are recorded as deferred revenue on the consolidated statements of financial position related to consulting contracts. Contract liabilities from sales to customers outside of consulting contracts are \$3,673,794 and \$3,130,457 and are included in deferred revenue on the consolidated statements of financial position as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, contract receivables of \$5,250,463 and \$5,609,456, respectively, are recorded as accounts receivable on the consolidated statements of financial position related to consulting contracts and \$571,726 and \$615,684, respectively, are recorded as accounts receivable related to membership and other receivables.

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

Revenue from membership dues is initially deferred and then recognized on a straight-line basis over the periods to which the dues relate.

For the years ended December 31, 2023 and 2022, \$32,631,233 and \$31,136,020, respectively, of revenue was recognized from revenue streams where recognition occurs over time and \$743,329 and \$397,027, respectively, was recognized from revenue streams at a point in time.

A portion of BSR's non-exchange revenue is derived from Government-funded contracts, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (i.e., contain meaningful barriers and rights of return). Amounts received are recognized as revenue as the related expenses are incurred. Cash received in advance of expenditures made is classified as deferred revenue. BSR had no conditional contributions received in advance as of December 31, 2023 and 2022.

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Grants and contributions received are reported as net assets with or without donor restrictions, depending upon the existence of any donor restrictions.

Conditional contributions are those contributions that have certain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recorded as revenue when conditions are satisfied. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

Donated services: Noncash donations are recorded as contributions at the fair value of the gift at the date of the donation. Contributed services are reflected in the consolidated financial statements at the fair value of the services received 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. There was no in-kind revenue recognized during the years ended December 31, 2023 and 2022.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing BSR's various programs and other activities have been presented in the consolidated statements of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Direct costs associated with specific programs are recorded as program expenses. Program expenses may include allocable management and general expenses. Indirect or share costs are allocated among program and support services by a method that measures the relative degree of benefit. BSR uses actual salary dollars to allocate any indirect costs. Depreciation and insurance expenses are allocated to general and management expenses.

Income taxes: BSR has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC), 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 that arises from certain consulting services.

The subsidiaries and Hong Kong branch of BSR 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 recorded based on management's estimates of tax liability in those jurisdictions. Tax expense recorded for foreign jurisdictions during the years ended December 31, 2023 and 2022 amounted to \$310,137 and \$138,885, respectively.

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 in 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 BSR is exempt from taxation under Section 501(c)(3) of the IRC and is generally not subject to federal or state income taxes, the tax positions taken or expected to be taken by BSR have not had a material impact on the consolidated financial statements. There was no tax expense recorded for unrelated business income tax (UBIT) during the years ended December 31, 2023 and 2022.

Advertising: Advertising costs generally consist of media, print advertising, marketing training for employees and copywriting website content and are charged to expense as incurred. Advertising costs recognized during the years ended December 31, 2023 and 2022 were \$53,606 and \$33,329 respectively. These costs are presented in the general and administrative category on the accompanying consolidated statements of functional expenses.

Foreign currency exchange rate risk: In the normal course of business, BSR is subject to risk from adverse fluctuations in foreign currency exchange rates with the U.S. dollar. BSR does not use derivative financial instruments to manage its risks associated with foreign currency exchange fluctuations.

Concentration 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. Approximately 14% and 15% of BSR's outstanding accounts receivable was due from three customers and 77% and 88% of BSR's outstanding grants receivable balance was due from two grantors as of December 31, 2023 and 2022, respectively. Credit risk is mitigated by the number of companies and foundations comprising the receivable balance. An allowance for doubtful accounts is also maintained.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Two government entities comprised approximately 100% of government contract revenues and three grantors comprised approximately 65% of BSR's grants revenue for the year ended December 31, 2023. For the year ended December 31, 2022, two government entities comprised approximately 100% of government contract revenues and two grantors comprised approximately 76% of BSR's grants revenue.

Leases: BSR adopted Financial Accounting Standards Board (FASB) ASC Topic 842, Leases (Topic 842) as of January 1, 2022.

Under Topic 842, BSR determines whether the arrangement is or contains a lease at inception. Operating leases will be recognized on the consolidated statement of financial position as right-of-use (ROU) assets and lease liabilities. ROU assets represent BSR's right to use an underlying asset for the lease term and lease liabilities represent BSR's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, BSR considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, BSR uses its incremental borrowing rate determined by equivalent term debt. Lease terms may include options to extend or terminate the lease when it is reasonably certain that BSR will exercise that option.

BSR leases office space under agreements classified as operating leases. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of BSR's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and ROU assets unless BSR is reasonably certain to be exercising the options. BSR has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration or month-to-month. This means, for those leases that qualify, ROU assets or lease liabilities will not be recognized.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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 credit losses and doubtful accounts, and useful lives of property and equipment.

Reclassifications: Certain reclassifications have been made to the 2022 consolidated financial statements in order to conform to the 2023 presentation. These reclassifications did not result in a change in previously reported net assets or change in net assets.

Subsequent events: BSR evaluated subsequent events for recognition and disclosure through April 29, 2024, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a potential material impact on the presentation of BSR's consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Property and Equipment

Property and equipment consist of the following as of December 31:

	2023	2022
Software development	\$ 373,154	\$ 349,155
IT equipment	692,461	686,309
Furniture and fixtures	549,664	549,664
Leasehold improvements	198,680	288,192
	<u>1,813,959</u>	<u>1,873,320</u>
Accumulated depreciation and amortization	(1,556,511)	(1,493,795)
	<u>\$ 257,448</u>	<u>\$ 379,525</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 amounted to \$213,653 and \$234,162, respectively.

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of years ended December 31, 2023 and 2022:

	2023	2022
Climate change	\$ 2,595,642	\$ 2,105,738
DEI	4,837,198	6,099,802
RISE (HERproject)	4,479,123	2,394,123
Sustainability management	-	49,057
Human rights	56,638	30,000
	<u>\$ 11,968,601</u>	<u>\$ 10,678,720</u>

Net assets with donor restrictions released from restriction during the years ended December 31, 2023 and 2022, were as follows:

Climate change	\$ 1,740,731	\$ 793,007
DEI	1,807,605	814,738
RISE (HERproject)	2,685,001	1,782,507
Human rights	109,160	30,000
Sustainability management	71,874	127,219
	<u>\$ 6,414,371</u>	<u>\$ 3,547,471</u>

Note 5. Line of Credit

BSR maintains a line of credit arrangement with a financial institution with a maximum borrowing limit of \$500,000 that renews annually. The line of credit bears interest at the Prime Rate plus 0.50% (8.5% and 7.5% as of December 31, 2023 and 2022, respectively). There were no borrowings under the line during the years ended December 31, 2023 and 2022. BSR is required to maintain compliance with certain financial and reporting covenants under the terms of the agreement; BSR was in compliance with such covenants at December 31, 2023 and 2022.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Leases

BSR has operating leases for offices in the United States and France that meet the requirements for applying ASC 842, Leases. These leases have remaining lease terms of from three years to six years.

Supplemental cash flow information related to operating leases was as follows for the years ended December 31, 2023 and 2022:

	2023	2022
New York lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 422,068	\$ 70,198
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 2,408,100
Weighted-average remaining lease term	5.92 years	6.92 years
Weighted-average discount rate	7.50%	7.50%
Paris lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 326,987	\$ 1,304,188
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 988,246
Weighted-average remaining lease term	2.58 years	3.58 years
Weighted-average discount rate	7.50%	7.50%
San Francisco lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 492,970	\$ 1,615,025
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 1,668,210
Weighted-average remaining lease term	2.25 years	3.25 years
Weighted-average discount rate	7.50%	7.50%

The scheduled minimum lease payments under the lease terms are as follows:

Years ending December 31:	
2024	\$ 1,233,405
2025	1,259,453
2026	757,160
2027	465,885
2028	477,532
Thereafter	447,748
	<u>4,641,183</u>
Less imputed interest	<u>(728,757)</u>
Long-term operating lease liabilities	<u>\$ 3,912,426</u>

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Leases (Continued)

The following summarizes the line items in the consolidated statements of activities which include the components of lease expense for the years ended December 31:

Lease expense included in rent and occupancy expense is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Operating lease expense	\$ 812,555	\$ 652,696
Short-term lease expense	648,759	697,439
	<u>\$ 1,461,314</u>	<u>\$ 1,350,135</u>

Note 7. Commitments and Contingencies

Some of the BSR's grants and contracts require compliance with certain terms and conditions. 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 such a need to return funds to sponsors to be remote.

Note 8. Related-Party Transactions

BSR receives revenues from companies that employ members of the Board of Directors. During the years ended December 31, 2023 and 2022, BSR recognized revenues amounting to \$296,861 and \$238,167 in membership dues and \$2,686,805 and \$1,544,765 in consulting fees from such companies, respectively. Total amounts receivable from these companies was \$239,333 and \$507,000 as of December 31, 2023, and 2022, respectively.

Note 9. Retirement Plans

BSR sponsors a 401(k) salary deferral plan for eligible U.S. employees. Participants may make contributions to the plan. During the years ended December 31, 2023 and 2022, employer contributions to the plan amounted to \$415,359 and \$390,775, respectively.

On August 1, 2004, BSR established a voluntary salary deferral plan for the Chief Executive Officer (Participant) under IRC Section 457(b). During the years ended December 31, 2023 and 2022, there were no employer contributions to the plan. The Participant is immediately vested in employer contributions. The deferred compensation plan assets as of December 31, 2023 and 2022 were \$515,947 and \$427,482, which are reported in prepaid expenses and other current assets and the related liability is included in accrued expenses on the consolidated statements of financial position.

Note 10. Liquidity and Funds Available

The following reflects BSR's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date.

BSR's financial assets are made available to meet its general expenditures, liabilities and other obligations as they come due. BSR has cash and cash equivalents available to meet liquidity needs. Contributions and accounts receivable that are considered current will be collected from customers or donors within one year. Monthly, management reviews BSR's financial position and ensures that a reasonable cash position is being maintained. BSR maintains 45 days in cash as a minimum.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Liquidity and Funds Available (Continued)

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2022, to fund general expenditures and other obligations when they become due:

	2023	2022
Cash and cash equivalents	\$ 15,902,413	\$ 13,466,588
Accounts and grants receivable, net	9,633,764	8,824,640
	<u>25,536,177</u>	<u>22,291,228</u>
Less donor-restricted funds	(8,588,601)	(6,418,720)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,947,576</u>	<u>\$ 15,872,508</u>
Funds available—line of credit	<u>\$ 500,000</u>	<u>\$ 500,000</u>

BSR has financial assets available as of December 31, 2023, to cover approximately 150 days of operating expenses, excluding depreciation and amortization, based on budgeted operating expenses, excluding depreciation and amortization, as approved by the Board, for the year ending December 31, 2024.