

Business for Social Responsibility and Subsidiaries

Consolidated Financial Report
December 31, 2024

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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 (BSR), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the related consolidated statements of activities, functional expenses and cash flows for the years 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, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 VS LLP

Kansas City, Missouri
May 2, 2025

Business for Social Responsibility and Subsidiaries

Consolidated Statements of Financial Position December 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,559,696	\$ 15,902,413
Accounts and grants receivable, net, current	9,590,389	9,633,764
Prepaid expenses and other current assets	927,005	1,036,343
Total current assets	25,077,090	26,572,520
Accounts and grants receivable, net, noncurrent	976,956	3,380,000
Deposits	999,451	970,156
Property and equipment, net	109,058	257,448
Operating lease right-of-use assets, net	2,800,028	3,599,305
Total other assets	4,885,493	8,206,909
Total assets	\$ 29,962,583	\$ 34,779,429
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 550,178	\$ 725,677
Accrued salaries and related benefits	1,525,262	2,332,353
Accrued liabilities—other	1,004,402	974,601
Deferred revenue	8,761,586	8,989,258
Operating lease liabilities, current portion	1,118,223	971,434
Total current liabilities	12,959,651	13,993,323
Long-term liabilities:		
Operating lease liabilities, net of current portion	1,949,865	2,940,992
Total long-term liabilities	1,949,865	2,940,992
Total liabilities	14,909,516	16,934,315
Net assets:		
Without donor restrictions	6,138,810	5,876,513
With donor restrictions	8,914,257	11,968,601
Total net assets	15,053,067	17,845,114
Total liabilities and net assets	\$ 29,962,583	\$ 34,779,429

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Consulting revenues	\$ 24,861,206	\$ -	\$ 24,861,206
Conferences and seminars	113,582	-	113,582
Membership dues	9,214,006	-	9,214,006
Government-funded contracts	710,646	-	710,646
Foundation grants	-	3,873,911	3,873,911
Contributions	109,010	-	109,010
Interest income	13,739	-	13,739
Other income	1,828	-	1,828
Net assets released from restrictions	6,928,255	(6,928,255)	-
Total support and revenue	41,952,272	(3,054,344)	38,897,928
Expenses:			
Program services	31,386,929	-	31,386,929
Support services	10,147,609	-	10,147,609
Total expenses	41,534,538	-	41,534,538
Change in net assets from operations	417,734	(3,054,344)	(2,636,610)
Other nonoperating change in net assets:			
Cumulative foreign currency translation adjustment	(155,437)	-	(155,437)
Total other nonoperating change in net assets	(155,437)	-	(155,437)
Change in net assets	262,297	(3,054,344)	(2,792,047)
Net assets, beginning of year	5,876,513	11,968,601	17,845,114
Net assets, end of year	<u>\$ 6,138,810</u>	<u>\$ 8,914,257</u>	<u>\$ 15,053,067</u>

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	<u>\$ 5,876,513</u>	<u>\$ 11,968,601</u>	<u>\$ 17,845,114</u>

See notes to consolidated financial statements.

Business for Social Responsibility and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2024

	2024									
	Program Services								Support Services	
	Climate and Nature	Inclusive Business	Human Rights	Sustainability Management	RISE	Membership	General Program	Total Program Services	Management and General	Total Expenses
Expenses:										
Salaries	\$ 828,721	\$ 596,570	\$ 1,666,191	\$ 1,112,256	\$ 705,840	\$ 893,452	\$ 11,757,211	\$ 17,560,241	\$ 4,847,957	\$ 22,408,198
Payroll taxes and benefits	361,809	270,542	731,675	482,978	346,208	393,941	3,418,565	6,005,718	1,054,845	7,060,563
Personnel recruiting/development	-	36	-	-	1,813	-	125,279	127,128	147,849	274,977
Contractors/professional services	1,516,587	552,801	666,010	778,396	2,248,532	17,500	171,138	5,950,964	830,816	6,781,780
Travel	118,057	70,176	152,819	91,428	217,886	5,467	264,340	920,173	47,833	968,006
Marketing	9,515	1,758	-	211	3,865	-	3,268	18,617	3,089	21,706
Production	2,748	-	-	325	52,227	-	-	55,300	-	55,300
Conferences and workshops	11,605	24,975	38,790	12,401	14,658	14	128,334	230,777	28,827	259,604
Rent and occupancy	-	-	-	-	-	-	106,175	106,175	1,471,807	1,577,982
Office expenses	1,077	1,868	2,063	8,323	5,019	-	15,874	34,224	141,233	175,457
Information systems	778	2,063	23,715	1,382	10,750	22	213,023	251,733	952,747	1,204,480
Postage and delivery	366	27	266	110	905	-	2,216	3,890	5,895	9,785
Taxes and fees	3,493	450	1,666	978	(444)	1,752	(16,338)	(8,443)	125,028	116,585
General insurance	-	-	-	-	-	-	-	-	220,286	220,286
Provision for credit losses	3,250	-	8,310	80	-	(2,600)	-	9,040	-	9,040
Miscellaneous	44,545	502	14,482	8,003	8,129	2,544	43,187	121,392	73,469	194,861
Depreciation and amortization	-	-	-	-	-	-	-	-	195,928	195,928
Total expenses	\$ 2,902,551	\$ 1,521,768	\$ 3,305,987	\$ 2,496,871	\$ 3,615,388	\$ 1,312,092	\$ 16,232,272	\$ 31,386,929	\$ 10,147,609	\$ 41,534,538

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		
	Climate and Nature	Inclusive Business	Human Rights	Sustainability Management	RISE	Membership	General Program	Total Program Services	Management and General	Total Expenses
Expenses:										
Salaries	\$ 1,040,707	\$ 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	410,150	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	1,359,489	464,651	119,773	463,813	1,686,668	21,947	211,411	4,327,752	658,478	4,986,230
Travel	95,591	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	13,099	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	5,262	1,618	697	7,737	16,060	1,047	46,331	78,752	157,335	236,087
Information systems	696	1,047	24,201	1,929	9,486	392	6,313	44,064	1,044,102	1,088,166
Postage and delivery	1,896	-	22	-	2,932	1,616	3,287	9,753	6,217	15,970
Taxes and fees	1,917	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
Provision for credit losses	(1,456)	-	-	2,706	(6,139)	(7,000)	-	(11,889)	-	(11,889)
Miscellaneous	(32)	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	\$ 2,952,953	\$ 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 Statements of Cash Flows Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (2,792,047)	\$ 2,007,963
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	195,928	213,653
Amortization of operating lease right-of-use asset	799,277	812,555
Loss on sale of property and equipment	406	-
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	2,446,419	70,876
Prepaid expenses and other current assets	109,338	(703,921)
Deposits	(29,295)	(209,432)
Accounts payable	(175,499)	434,048
Accrued salaries and related benefits	(807,091)	301,484
Accrued liabilities—other	29,801	735,328
Deferred revenue	(227,672)	(285,223)
Operating lease liability	(844,338)	(849,930)
Net cash (used in) provided by operating activities	(1,294,773)	2,527,401
Cash flows from investing activities:		
Purchases of property and equipment	(47,944)	(91,576)
Net cash used in investing activities	(47,944)	(91,576)
Net (decrease) increase in cash and cash equivalents	(1,342,717)	2,435,825
Cash and cash equivalents, beginning of year	15,902,413	13,466,588
Cash and cash equivalents, end of year	<u>\$ 14,559,696</u>	<u>\$ 15,902,413</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Taxes	<u>\$ 44,012</u>	<u>\$ 362,205</u>

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 Directors (the 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, 2024 or 2023.

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 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: Grants receivable consist of amounts due from foundations and government entities. As of December 31, 2024 and 2023, grants receivable amounted to \$976,956 and \$7,191,575, respectively. Grants receivable are included as part of accounts and grants receivable, net within the consolidated statements of financial position. Grant receivable in the amount of \$976,956 are expected to be collected during 2026 and are classified as long-term receivables in the consolidated statements of financial position as of December 31, 2024. Grants receivable in the amount of \$3,380,000 were classified as long-term receivables in the consolidated statements of financial position as of December 31, 2023.

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, 2024 and 2023, is \$13,290 and \$16,320, respectively.

Allowance for doubtful accounts is based on an assessment of the collectability of receivables, including factors such as the age of receivables, historical collection patterns, and current economic conditions. Management believes the grants receivable are fully collectible and therefore no allowance for doubtful accounts has been recorded at December 31, 2024 and 2023.

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.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

- 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.

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. Accounts receivable and contract liabilities were as follows for the years ended December 31, 2024 and 2023, and January 1, 2023:

	December 31, 2024	December 31, 2023	January 1, 2023
Accounts receivable:			
Consulting contracts receivable	\$ 6,414,112	\$ 5,250,463	\$ 5,609,456
Membership and other receivable	3,176,277	571,726	615,684
Contract liabilities:			
Consulting contracts	4,668,752	5,315,464	6,144,024
Membership and other contracts	4,092,834	3,673,794	3,130,457

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, 2024 and 2023, \$33,139,399 and \$32,631,233, respectively, of revenue was recognized from revenue streams where recognition occurs over time and \$1,049,395 and \$743,329, 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, 2024 and 2023.

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. There were no remaining amounts to be received under conditional contributions as of December 31, 2024.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2024 and 2023.

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 solely to management and general 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 2370I(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, 2024 and 2023, amounted to \$16,358 and \$310,137, 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, 2024 and 2023.

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, 2024 and 2023, were \$21,706 and \$53,606, respectively. These costs are presented in the management and general 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.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2024 and 2023, respectively. Credit risk is mitigated by the number of companies and foundations comprising the receivable balance.

Two government entities comprised approximately 100% of government contract revenues and six grantors comprised approximately 75% of BSR's grants revenue for the year ended December 31, 2024. For the year ended December 31, 2023, two government entities comprised approximately 100% of government contract revenues and three grantors comprised approximately 65% of BSR's grants revenue.

Leases: BSR adopted Financial Accounting Standards Board 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 statements 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, estimated costs associated with consulting revenue relevant to cost-to-complete projects and related expenses, and useful lives of property and equipment.

Reclassifications: Certain reclassifications have been made to the 2023 consolidated financial statements in order to conform to the 2024 presentation. These reclassifications did not result in a change in previously reported net assets or change in net assets.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events: BSR evaluated subsequent events for recognition and disclosure through May 2, 2025, 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.

Note 3. Property and Equipment

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

	2024	2023
Software development	\$ 389,154	\$ 373,154
IT equipment	674,866	692,461
Furniture and fixtures	549,664	549,664
Leasehold improvements	198,680	198,680
	<u>1,812,364</u>	<u>1,813,959</u>
Accumulated depreciation and amortization	<u>(1,703,306)</u>	<u>(1,556,511)</u>
	<u>\$ 109,058</u>	<u>\$ 257,448</u>

Depreciation and amortization expense for the years ended December 31, 2024 and 2023, amounted to \$195,928 and \$213,653, respectively.

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2024 and 2023:

	2024	2023
Climate and nature	\$ 1,085,885	\$ 2,595,642
Inclusive business	4,254,663	4,837,198
RISE (HERproject)	2,472,930	4,479,123
Sustainability management	353,429	-
Human rights	747,350	56,638
	<u>\$ 8,914,257</u>	<u>\$ 11,968,601</u>

Net assets with donor restrictions released from restrictions during the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Climate and Nature	\$ 1,881,399	\$ 1,740,731
Inclusive Business	1,882,535	1,807,605
RISE (HERproject)	2,919,550	2,685,001
Human rights	243,200	109,160
Sustainability management	1,571	71,874
	<u>\$ 6,928,255</u>	<u>\$ 6,414,371</u>

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

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% (7.5% and 8.5% as of December 31, 2024 and 2023, respectively). There were no borrowings under the line during the years ended December 31, 2024 and 2023. BSR is required to maintain compliance with certain financial and reporting covenants under the terms of the agreement.

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 one to five years.

Supplemental cash flow information related to operating leases was as follows for the years ended December 31, 2024 and 2023:

	2024	2023
New York lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 432,620	\$ 422,068
Remaining lease term on operating lease	4.92 years	5.92 years
Discount rate for operating lease	5.35%	7.50%
Paris lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 326,987	\$ 326,987
Remaining lease term on operating lease	1.58 years	2.58 years
Discount rate for operating lease	3.75%	7.50%
San Francisco lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 506,759	\$ 492,970
Remaining lease term on operating lease	1.25 years	2.25 years
Discount rate for operating lease	3.75%	7.50%

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

Years ending December 31:	
2025	\$ 1,242,974
2026	747,546
2027	465,885
2028	477,532
2029	447,748
	<hr/>
	3,381,685
Less imputed interest	(313,597)
Operating lease liabilities	<hr/> <hr/>
	\$ 3,068,088

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, 2024 and 2023:

Lease expense included in rent and occupancy expense is as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease expense	\$ 799,277	\$ 812,555
Short-term lease expense	778,705	747,624
	<u>\$ 1,577,982</u>	<u>\$ 1,560,179</u>

Note 7. Commitments and Contingencies

Some of 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, 2024 and 2023, BSR recognized revenues amounting to \$163,333 and \$296,861, respectively, in membership dues and \$3,000,915 and \$2,686,805, respectively, in consulting fees from such companies. Total amounts receivable from these companies was \$362,900 and \$239,333, respectively, as of December 31, 2024 and 2023.

Note 9. Retirement Plans

BSR sponsors a 401(k) salary deferral plan for eligible U.S. employees. Employees are eligible to participate in the plan if they are age 21 and not in the excluded employee class (union employees governed by a collective bargaining agreement, certain nonresident aliens who have no earner income from sources within the U.S., leased employees, and interns). The entry date for eligible employees is the first day of the month coinciding with or next following the date eligibility requirements are satisfied. The plan is a safe harbor 401(k) plan, which means that, regardless of whether employees elect to make deferrals, BSR will make a contribution equal to 3% each employee's eligible compensation. During the years ended December 31, 2024 and 2023, BSR made safe harbor non-elective contributions totaling \$421,304 and \$415,359, respectively. The plan also allows for flexible discretionary matching contributions and discretionary profit-sharing contributions. During the years ended December 31, 2024 and 2023, BSR did not make flexible discretionary matching contributions or discretionary profit-sharing contributions.

Business for Social Responsibility and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Retirement Plans (Continued)

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, 2024 and 2023, 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, 2024 and 2023, were \$600,418 and \$515,947, respectively, 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. The assets held in the Charles Schwab trust are measured at fair market value in accordance with ASC 820, Fair Value Measurement. These assets are classified within Level 1 of the fair value hierarchy, as they consist primarily of mutual funds and exchange traded funds with quoted market prices in active markets. The fair market value of the trust assets was \$600,418 and \$515,947 as of December 31, 2024 and 2023, respectively.

Note 10. Liquidity and Funds Available

The following reflects BSR's financial assets as of the consolidated statements of financial position dates, 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 dates.

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, and line of credit 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.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2024 and 2023, to fund general expenditures and other obligations when they become due:

	2024	2023
Cash and cash equivalents	\$ 14,559,696	\$ 15,902,413
Accounts and grants receivable, net, current	9,590,389	9,633,764
	<u>24,150,085</u>	<u>25,536,177</u>
Less short-term donor-restricted funds	(7,937,301)	(8,588,601)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,212,784</u>	<u>\$ 16,947,576</u>
Funds available—line of credit	<u>\$ 500,000</u>	<u>\$ 500,000</u>

BSR has financial assets available as of December 31, 2024, to cover approximately 141 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, 2025.