

# **Business for Social Responsibility and Subsidiaries**

Consolidated Financial Report  
December 31, 2025

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## Independent Auditor's Report

Board of Directors  
Business for Social Responsibility and Subsidiaries

### 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, 2025 and 2024, 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, 2025 and 2024, 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 US LLP*

Kansas City, Missouri  
April 30, 2026

## Business for Social Responsibility and Subsidiaries

### Consolidated Statements of Financial Position December 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,053,499	\$ 14,393,844
Accounts and grants receivable, current, net of allowance of 2025—\$15,727; 2024—\$13,290	5,444,390	9,590,389
Prepaid expenses and other current assets	1,092,598	927,005
<b>Total current assets</b>	<b>20,590,487</b>	<b>24,911,238</b>
Accounts and grants receivable, net, noncurrent 2025—\$15,727; 2024—\$13,290	95,851	976,956
Restricted cash	187,311	165,852
Deposits	1,054,686	999,451
Property and equipment, net	56,153	109,058
Operating lease right-of-use assets, net	1,791,058	2,800,028
<b>Total other assets</b>	<b>3,185,059</b>	<b>5,051,345</b>
<b>Total assets</b>	<b>\$ 23,775,546</b>	<b>\$ 29,962,583</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 368,022	\$ 550,178
Accrued salaries and related benefits	1,407,324	1,525,262
Accrued liabilities—other	1,110,748	1,004,402
Deferred revenue	8,742,575	8,761,586
Operating lease liabilities, current portion	686,220	1,118,223
<b>Total current liabilities</b>	<b>12,314,889</b>	<b>12,959,651</b>
Long-term liabilities:		
Operating lease liabilities, net of current portion	1,284,322	1,949,865
<b>Total long-term liabilities</b>	<b>1,284,322</b>	<b>1,949,865</b>
<b>Total liabilities</b>	<b>13,599,211</b>	<b>14,909,516</b>
Net assets:		
Without donor restrictions	4,372,376	6,138,810
With donor restrictions	5,803,959	8,914,257
<b>Total net assets</b>	<b>10,176,335</b>	<b>15,053,067</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,775,546</b>	<b>\$ 29,962,583</b>

See notes to consolidated financial statements.

## Business for Social Responsibility and Subsidiaries

### Consolidated Statement of Activities Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Consulting revenues	\$ 19,494,542	\$ -	\$ 19,494,542
Conferences and seminars	12,000	-	12,000
Membership dues	9,177,432	-	9,177,432
Government-funded contracts	298,784	-	298,784
Foundation grants	-	2,705,750	2,705,750
Contributions	30,364	-	30,364
Interest income	3,212	-	3,212
Other income	904	-	904
Net assets released from restrictions	5,816,048	(5,816,048)	-
<b>Total support and revenue</b>	<b>34,833,286</b>	<b>(3,110,298)</b>	<b>31,722,988</b>
Expenses:			
Program services	26,555,455	-	26,555,455
Support services	10,249,642	-	10,249,642
<b>Total expenses</b>	<b>36,805,097</b>	<b>-</b>	<b>36,805,097</b>
<b>Change in net assets from operations</b>	<b>(1,971,811)</b>	<b>(3,110,298)</b>	<b>(5,082,109)</b>
Other nonoperating change in net assets:			
Cumulative foreign currency translation adjustment	205,377	-	205,377
<b>Total other nonoperating change in net assets</b>	<b>205,377</b>	<b>-</b>	<b>205,377</b>
<b>Change in net assets</b>	<b>(1,766,434)</b>	<b>(3,110,298)</b>	<b>(4,876,732)</b>
Net assets, beginning of year	6,138,810	8,914,257	15,053,067
Net assets, end of year	\$ 4,372,376	\$ 5,803,959	\$ 10,176,335

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)	-
<b>Total support and revenue</b>	<b>41,952,272</b>	<b>(3,054,344)</b>	<b>38,897,928</b>
Expenses:			
Program services	31,386,929	-	31,386,929
Support services	10,147,609	-	10,147,609
<b>Total expenses</b>	<b>41,534,538</b>	<b>-</b>	<b>41,534,538</b>
<b>Change in net assets from operations</b>	<b>417,734</b>	<b>(3,054,344)</b>	<b>(2,636,610)</b>
Other nonoperating change in net assets:			
Cumulative foreign currency translation adjustment	(155,437)	-	(155,437)
<b>Total other nonoperating change in net assets</b>	<b>(155,437)</b>	<b>-</b>	<b>(155,437)</b>
<b>Change in net assets</b>	<b>262,297</b>	<b>(3,054,344)</b>	<b>(2,792,047)</b>
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 Functional Expenses Year Ended December 31, 2025

	2025									
	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	\$ 526,161	\$ 494,151	\$ 1,100,498	\$ 774,269	\$ 530,343	\$ 672,596	\$ 10,326,259	\$ 14,424,277	\$ 4,911,342	\$ 19,335,619
Payroll taxes and benefits	246,225	184,357	488,786	336,639	215,810	383,193	3,149,015	5,004,025	1,303,454	6,307,479
Personnel recruiting/development	-	-	-	1,100	2,011	-	17,323	20,434	103,579	124,013
Contractors/professional services	1,705,730	290,284	387,200	797,979	2,206,985	17,500	72,089	5,477,767	841,754	6,319,521
Travel	103,517	50,695	164,842	115,154	220,233	6,139	202,188	862,768	34,781	897,549
Marketing	-	3,600	-	3,278	-	-	-	6,878	5,446	12,324
Production	-	-	241	30,017	19,313	-	-	49,571	-	49,571
Conferences and workshops	16,135	15,022	12,035	31,325	17,520	3,076	99,044	194,157	18,750	212,907
Rent and occupancy	-	-	1,293	-	-	-	86,036	87,329	1,484,854	1,572,183
Office expenses	576	2,066	1,369	2,263	6,940	22	25,791	39,027	125,061	164,088
Information systems	1,016	936	9,064	7,138	494	-	170,844	189,492	806,901	996,393
Postage and delivery	418	-	200	465	3,319	7	2,296	6,705	7,425	14,130
Taxes and fees	103	50	2,382	1,430	-	4,642	2,947	11,554	226,456	238,010
General insurance	-	-	-	-	43	-	-	43	215,159	215,202
Provision for credit losses	-	5,001	-	-	15,727	-	-	20,728	-	20,728
Miscellaneous	128,520	(513)	11,561	11,840	9,208	(3,535)	3,619	160,700	103,868	264,568
Depreciation and amortization	-	-	-	-	-	-	-	-	60,812	60,812
<b>Total expenses</b>	<b>\$ 2,728,401</b>	<b>\$ 1,045,649</b>	<b>\$ 2,179,471</b>	<b>\$ 2,112,897</b>	<b>\$ 3,247,946</b>	<b>\$ 1,083,640</b>	<b>\$ 14,157,451</b>	<b>\$ 26,555,455</b>	<b>\$ 10,249,642</b>	<b>\$ 36,805,097</b>

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
<b>Total expenses</b>	<b>\$ 2,902,551</b>	<b>\$ 1,521,768</b>	<b>\$ 3,305,987</b>	<b>\$ 2,496,871</b>	<b>\$ 3,615,388</b>	<b>\$ 1,312,092</b>	<b>\$ 16,232,272</b>	<b>\$ 31,386,929</b>	<b>\$ 10,147,609</b>	<b>\$ 41,534,538</b>

See notes to consolidated financial statements.

## Business for Social Responsibility and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (4,876,732)	\$ (2,792,047)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	60,812	195,928
Amortization of operating lease right-of-use asset	1,008,970	799,277
Loss on sale of property and equipment	1,987	406
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	5,027,104	2,446,419
Prepaid expenses and other current assets	(165,593)	109,338
Deposits	(55,235)	(29,295)
Accounts payable	(182,156)	(175,499)
Accrued salaries and related benefits	(117,938)	(807,091)
Accrued liabilities—other	106,346	29,801
Deferred revenue	(19,011)	(227,672)
Operating lease liability	(1,097,546)	(844,338)
<b>Net cash used in operating activities</b>	<b>(308,992)</b>	<b>(1,294,773)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(9,894)	(47,944)
<b>Net cash used in investing activities</b>	<b>(9,894)</b>	<b>(47,944)</b>
<b>Net decrease in cash and cash equivalents and restricted cash</b>	<b>(318,886)</b>	<b>(1,342,717)</b>
Cash, cash equivalents and restricted cash, beginning of year	14,559,696	15,902,413
Cash, cash equivalents and restricted cash, end of year	\$ 14,240,810	\$ 14,559,696
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 14,053,499	\$ 14,393,844
Restricted cash	187,311	165,852
Total cash, cash equivalents and restricted cash	\$ 14,240,810	\$ 14,559,696
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Taxes	\$ 109,483	\$ 44,012

See notes to consolidated financial statements.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 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](http://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, 2025 or 2024.

**Net assets with donor restrictions:** Net assets with donor restrictions 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 net assets released from restrictions 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

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#### 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.

**Restricted cash:** Restricted cash represents funds held in connection with a rental guarantee issued in favor of the landlord and is not available for general operating purposes until the guarantee is released.

**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, 2025 and 2024, grants receivable amounted to \$1,843,008 and \$4,143,912, 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 \$95,851 are expected to be collected after 2026 and are classified as long-term receivables in the consolidated statements of financial position as of December 31, 2025. Out of the total long-term amount of grants receivables, \$93,080 and \$2,771 are expected to be collected in fiscal year 2027 and 2028, respectively. Grants receivable in the amount of \$976,956 were classified as long-term receivables in the consolidated statement of financial position as of December 31, 2024.

**Accounts receivables—allowance for credit losses:** 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 noncurrent 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, 2025 and 2024, is \$15,727 and \$13,290, respectively.

**Grant receivables—allowance for doubtful accounts:** Allowance for doubtful accounts is based on an assessment of the collectibility of grant 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, 2025 and 2024.

**Deposits:** The Organization has made refundable security deposits in connection with certain operating lease agreements. These deposits are held by lessors and are refundable at the termination of the related lease agreements, subject to the terms of the leases.

**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.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**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.

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, 2025, 2024 and 2023:

	December 31, 2025	December 31, 2024	December 31, 2023
Accounts receivable:			
Consulting contracts receivable	\$ 3,633,951	\$ 6,414,112	\$ 5,250,463
Membership and other receivable	63,282	9,321	158,167
Contract liabilities:			
Consulting contracts	4,542,727	4,668,752	5,315,464
Membership and other contracts	4,199,848	4,092,834	3,673,794

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, 2025 and 2024, \$27,803,214 and \$33,139,399, respectively, of revenue was recognized from revenue streams where recognition occurs over time and \$880,760 and \$1,049,395, 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, 2025 and 2024.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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, 2025.

**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, 2025 and 2024.

**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. 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 2370(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, 2025 and 2024, amounted to \$61,742 and \$16,358, 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, 2025 and 2024.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**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, 2025 and 2024, were \$12,324 and \$21,706, 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.

**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 11% and 14% of BSR's outstanding accounts receivable was due from two customers and 79% and 77% of BSR's outstanding grants receivable balance was due from two grantors as of December 31, 2025 and 2024, 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 67% of BSR's grants revenue for the year ended December 31, 2025. For the year ended December 31, 2024, two government entities comprised approximately 100% of government contract revenues and six grantors comprised approximately 75% 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.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**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 2024 consolidated financial statements in order to conform to the 2025 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 30, 2026, the date the consolidated financial statements were available to be issued.

Subsequent to year-end, on January 30, 2026, the Organization entered into a business service agreement for serviced office space in Hong Kong, commencing March 1, 2026 and expiring February 28, 2027. The agreement requires monthly service payments of approximately \$11,600 and a refundable service retainer equal to three months of the monthly fee. The arrangement does not convey control of an identified asset and is accounted for as a service contract rather than a lease under ASC 842.

On September 10, 2025, the Organization entered into an office lease for approximately 2,586 square feet of office space located in San Francisco, California. The lease commences on April 1, 2026, and has an initial term of three years and three months, with escalating monthly rent, additional charges for operating expenses and taxes, and a refundable security deposit of \$11,184. The arrangement conveys control of an identified asset and will be accounted for as an operating lease under ASC 842.

Subsequent to year-end, on March 6, 2026, the Organization entered into a termination of lease and surrender agreement with respect to its New York office space. Under the agreement, the lease was terminated effective March 31, 2026.

#### Note 3. Property and Equipment

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

	2025	2024
Software development	\$ 389,154	\$ 389,154
IT equipment	585,971	674,866
Furniture and fixtures	549,664	549,664
Leasehold improvements	167,653	198,680
	1,692,442	1,812,364
Accumulated depreciation and amortization	(1,636,289)	(1,703,306)
	<u>\$ 56,153</u>	<u>\$ 109,058</u>

Depreciation and amortization expense for the years ended December 31, 2025 and 2024, amounted to \$60,812 and \$195,928, respectively.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2025 and 2024:

	2025	2024
Climate and nature	\$ 5,082	\$ 1,085,885
Inclusive business	2,737,437	4,254,663
RISE (HERproject)	2,430,515	2,472,930
Sustainability management	311,521	353,429
Human rights	319,404	747,350
	<u>\$ 5,803,959</u>	<u>\$ 8,914,257</u>

Net assets with donor restrictions released from restrictions during the years ended December 31, 2025 and 2024, were as follows:

	2025	2024
Climate and nature	\$ 1,268,303	\$ 1,881,399
Inclusive business	1,541,196	1,882,535
RISE (HERproject)	2,079,736	2,919,550
Human rights	712,724	243,200
Sustainability management	214,089	1,571
	<u>\$ 5,816,048</u>	<u>\$ 6,928,255</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% (7.25% and 7.50% as of December 31, 2025 and 2024, respectively). There were no borrowings under the line during the years ended December 31, 2025 and 2024. 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 four years.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 6. Leases (Continued)

Supplemental consolidated cash flow information related to operating leases was as follows for the years ended December 31, 2025 and 2024:

	2025	2024
New York lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 443,436	\$ 432,620
Remaining lease term on operating lease	3.92 years	4.92 years
Discount rate for operating lease	5.35%	5.35%
Paris lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 374,011	\$ 326,987
Remaining lease term on operating lease	0.58 years	1.58 years
Discount rate for operating lease	3.75%	3.75%
San Francisco lease:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 522,992	\$ 506,759
Remaining lease term on operating lease	0.25 years	1.25 years
Discount rate for operating lease	3.75%	3.75%

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

Years ending December 31:	
2026	\$ 768,419
2027	465,885
2028	477,532
2029	447,748
	<u>2,159,584</u>
Less imputed interest	(189,042)
Operating lease liabilities	<u>\$ 1,970,542</u>

The following summarizes the line items in the consolidated statements of functional expenses, which include the components of lease expense for the years ended December 31, 2025 and 2024:

Lease expense included in rent and occupancy expense is as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Operating lease expense	\$ 1,008,970	\$ 799,277
Short-term lease expense	563,213	778,705
	<u>\$ 1,572,183</u>	<u>\$ 1,577,982</u>

Subsequent to year-end, the Organization terminated its New York office lease effective March 2026. The termination did not impact the lease balances recognized as of December 31, 2025.

## **Business for Social Responsibility and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 7. Related-Party Transactions**

BSR receives revenues from companies that employ members of the Board of Directors. During the years ended December 31, 2025 and 2024, BSR recognized revenues amounting to \$130,250 and \$163,333, respectively, in membership dues and \$1,127,194 and \$3,000,915, respectively, in consulting fees from such companies. Total amounts receivable from these companies was \$135,000 and \$362,900, respectively, as of December 31, 2025 and 2024.

#### **Note 8. 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, 2025 and 2024, BSR made safe harbor non-elective contributions totaling \$333,650 and \$421,304, respectively. The plan also allows for flexible discretionary matching contributions and discretionary profit-sharing contributions. During the years ended December 31, 2025 and 2024, BSR did not make flexible discretionary matching contributions or discretionary profit-sharing contributions.

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, 2025 and 2024, 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, 2025 and 2024, were \$702,330 and \$600,418, respectively, which are reported in prepaid expenses and other current assets and the related liability is included in accrued expenses—other 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 \$702,330 and \$600,418 as of December 31, 2025 and 2024, respectively.

#### **Note 9. 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.

## Business for Social Responsibility and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 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, 2025 and 2024, to fund general expenditures and other obligations when they become due:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 14,240,810	\$ 14,559,696
Accounts and grants receivable, net, current	5,444,390	9,590,389
	<u>19,685,200</u>	<u>24,150,085</u>
Less short-term donor-restricted funds	(5,708,108)	(7,937,301)
Less restricted cash	(187,311)	(165,852)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,789,781</u>	<u>\$ 16,046,932</u>
Funds available—line of credit	<u>\$ 500,000</u>	<u>\$ 500,000</u>

BSR has financial assets available as of December 31, 2025, to cover approximately 137 days of operating expenses, excluding depreciation and amortization, based on budgeted operating expenses, as approved by the Board, for the year ending December 31, 2026.