

**Business for Social Responsibility and  
Subsidiaries**

Consolidated Financial Statements  
and Supplementary Information

December 31, 2020  
(With Comparative Totals for 2019)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Business for Social Responsibility and Subsidiaries  
San Francisco, California

We have audited the accompanying consolidated financial statements of Business for Social Responsibility and Subsidiaries (a Washington, DC corporation), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Business for Social Responsibility and Subsidiaries as of December 31, 2020, 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.

## **Emphasis of Matter**

As described in Note 12 to the consolidated financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion was not modified with respect to this matter.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 16 - 18 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited Business for Social Responsibility and Subsidiaries's 2019 consolidated financial statements, and our report dated April 1, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Francisco, California

April 22, 2021

Business for Social Responsibility and Subsidiaries  
Consolidated Statement of Financial Position  
December 31, 2020  
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,010,779	\$ 3,952,919
Accounts, contributions and grants receivables, net	8,714,962	12,065,203
Prepaid expenses and other	<u>403,021</u>	<u>392,774</u>
Total current assets	20,128,762	16,410,896
Accounts, contributions and grants receivables, net of current portion	271,800	761,999
Lease deposits	641,841	607,740
Fixed assets, net	<u>451,736</u>	<u>592,698</u>
Total assets	<u>\$ 21,494,139</u>	<u>\$ 18,373,333</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 927,544	\$ 1,093,373
Accrued salaries and related benefits	2,069,454	1,334,064
Accrued liabilities	1,241,500	495,408
Deferred revenue	8,638,427	8,479,373
Deferred rent, current	<u>141,027</u>	<u>99,243</u>
Total current liabilities	<u>13,017,952</u>	<u>11,501,461</u>
Long-term liabilities		
Deferred rent, non-current	<u>263,353</u>	<u>385,632</u>
Total long-term liabilities	<u>263,353</u>	<u>385,632</u>
Total liabilities	<u>13,281,305</u>	<u>11,887,093</u>
Net assets		
Without donor restrictions	2,655,983	(806,248)
With donor restrictions	<u>5,556,851</u>	<u>7,292,488</u>
Total net assets	<u>8,212,834</u>	<u>6,486,240</u>
Total liabilities and net assets	<u>\$ 21,494,139</u>	<u>\$ 18,373,333</u>

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

Business for Social Responsibility and Subsidiaries  
Consolidated Statement of Activities  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenues				
Consulting revenues	\$ 18,491,373	\$ -	\$ 18,491,373	\$ 16,823,678
Conferences and seminars	326,523	-	326,523	1,045,668
Membership dues	6,004,164	-	6,004,164	5,896,989
Government funded contracts	616,144	-	616,144	1,139,532
Foundation grants	-	1,399,220	1,399,220	6,085,978
Contributions	7,911	-	7,911	5,710
Interest income	347	-	347	421
Other income (loss), net	1,638,473	-	1,638,473	(796)
In-kind revenue	<u>52,646</u>	<u>-</u>	<u>52,646</u>	<u>164,170</u>
Total support and revenues	<u>27,137,581</u>	<u>1,399,220</u>	<u>28,536,801</u>	<u>31,161,350</u>
Net assets released from restriction	<u>3,134,857</u>	<u>(3,134,857)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>30,272,438</u>	<u>(1,735,637)</u>	<u>28,536,801</u>	<u>31,161,350</u>
Functional expenses				
Program services	20,150,545	-	20,150,545	23,772,406
Support services	<u>6,566,735</u>	<u>-</u>	<u>6,566,735</u>	<u>5,000,420</u>
Total functional expenses	<u>26,717,280</u>	<u>-</u>	<u>26,717,280</u>	<u>28,772,826</u>
Change in net assets from operations	<u>3,555,158</u>	<u>(1,735,637)</u>	<u>1,819,521</u>	<u>2,388,524</u>
Other nonoperating changes in net assets				
Cumulative translation adjustment	<u>(92,927)</u>	<u>-</u>	<u>(92,927)</u>	<u>(62,229)</u>
Total other nonoperating changes in net assets	<u>(92,927)</u>	<u>-</u>	<u>(92,927)</u>	<u>(62,229)</u>
Change in net assets	3,462,231	(1,735,637)	1,726,594	2,326,295
Net assets (deficit), beginning of year	<u>(806,248)</u>	<u>7,292,488</u>	<u>6,486,240</u>	<u>4,159,945</u>
Net assets, end of year	<u>\$ 2,655,983</u>	<u>\$ 5,556,851</u>	<u>\$ 8,212,834</u>	<u>\$ 6,486,240</u>

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

Business for Social Responsibility and Subsidiaries  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

	2020											2019		
	Program Services										Support Services			
	Climate Change	DEI	HER Project	Human Rights	Inclusive economy	Supply Chain Sustainability	Sustainability Management	Conference	Membership	General Program	Total Program Services	Management and General	2020 Total	2019 Total
Expenses														
Salaries	\$ 510,196	\$ 193,146	\$ 412,293	\$ 677,484	\$ 328,833	\$ 262,177	\$ 1,048,537	\$ 259,616	\$ 551,502	\$ 7,712,330	\$ 11,956,114	\$ 2,764,410	\$ 14,720,524	\$ 13,800,747
Payroll taxes and benefits	207,159	121,434	226,530	277,956	113,921	137,631	421,153	90,911	216,778	1,402,059	3,215,532	731,896	3,947,428	4,029,366
Personnel recruiting/development	-	-	-	-	-	-	-	-	-	22,739	22,739	57,668	80,407	137,881
Contractors/professional services	91,276	77,502	962,006	243,096	74,672	670,558	843,744	7,237	3,732	127,510	3,101,333	432,571	3,533,904	4,129,868
Travel	17,475	12,107	34,385	37,133	8,215	-	18,297	4,873	1,035	49,310	182,830	14,546	197,376	1,744,105
Marketing	5,250	-	-	-	-	-	82,663	-	386	-	88,299	8,513	96,812	43,483
Production	-	-	1,160	33	-	-	1,460	111,955	-	804	115,412	268	115,680	343,346
Conferences and workshops	486	349	621	2,979	-	3,761	8,865	338,688	-	8,008	363,757	7,407	371,164	906,049
Rent and occupancy	-	-	-	-	-	-	953	-	-	317,857	318,810	1,296,632	1,615,442	1,563,906
Office expense	109	2,441	1,667	94	155	-	1,615	150	85	61,186	67,502	117,796	185,298	353,028
Information systems	817	495	12,890	859	12,032	277	3,543	427	-	252,439	283,779	518,843	802,622	653,461
Postage and delivery	5	128	1,248	138	117	65	13,618	14	27	7,764	23,124	5,899	29,023	51,940
Taxes and fees	1,552	61	1,376	1,914	327	127	1,950	110	5,156	244,678	257,251	236,813	494,064	281,944
General insurance	-	-	-	-	-	-	-	-	-	3,547	3,547	161,433	164,980	163,830
Bad debt expenses	40,127	-	40,630	26,360	-	29,789	7,050	-	6,560	-	150,516	-	150,516	178,356
Donated services	-	-	-	-	-	-	-	-	-	-	-	-	-	164,170
Total expenses	874,452	407,663	1,694,806	1,268,046	538,272	1,104,385	2,453,448	813,981	785,261	10,210,231	20,150,545	6,354,695	26,505,240	28,545,480
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	212,040	212,040	227,346
	\$ 874,452	\$ 407,663	\$ 1,694,806	\$ 1,268,046	\$ 538,272	\$ 1,104,385	\$ 2,453,448	\$ 813,981	\$ 785,261	\$ 10,210,231	\$ 20,150,545	\$ 6,566,735	\$ 26,717,280	\$ 28,772,826

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

Business for Social Responsibility and Subsidiaries  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,726,594	\$ 2,326,295
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	212,040	227,346
Loss on fixed asset disposals	-	120
Changes in operating assets and liabilities		
Accounts, contributions and grants receivables, net	3,840,440	(4,575,769)
Prepaid expenses and other	(10,247)	(122,157)
Lease deposits	(34,101)	122,647
Accounts payable	(165,829)	324,140
Accrued salaries and related benefits	735,390	(276,278)
Accrued liabilities	746,092	(484,296)
Deferred revenue	159,054	2,438,603
Deferred rent	(80,495)	1,526
Net cash provided by (used in) operating activities	<u>7,128,938</u>	<u>(17,823)</u>
Cash flows from investing activities		
Purchases of fixed assets	<u>(71,078)</u>	<u>(300,419)</u>
Net cash used in investing activities	<u>(71,078)</u>	<u>(300,419)</u>
Net increase (decrease) in cash and cash equivalents	7,057,860	(318,242)
Cash and cash equivalents, beginning of year	<u>3,952,919</u>	<u>4,271,161</u>
Cash and cash equivalents, end of year	<u><u>\$ 11,010,779</u></u>	<u><u>\$ 3,952,919</u></u>

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 3	\$ 536
Taxes	\$ 446,680	\$ 299,929

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



Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

1. NATURE OF OPERATIONS

Business for Social Responsibility and Subsidiaries ("BSR") is a global nonprofit organization that works with its network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research and cross sector collaboration. With seven offices in Asia, Europe and North America, BSR uses its expertise in environment, climate, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit [www.bsr.org](http://www.bsr.org) for more information about BSR's more than 20 years of leadership in corporate responsibility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include 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.

The financial statements of the foreign subsidiaries are translated into U.S. dollars using the current rate method. Balance sheet 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.

Basis of accounting and financial statement 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 applicable to nonprofit organizations.

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

- *Net assets without donor restrictions* - represent the portion of net assets that are not subject to donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.
- *Net assets with donor restrictions* - represent the portion of net assets for which use is limited by donor-imposed stipulations that either expire by passage of time and/or can be fulfilled and removed by actions of BSR. Contributions to be held in perpetuity as directed by the donors are also included if applicable. The income from these contributions and support is available to support activities of the Organization as designated by the donor.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of funds 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. An allowance for doubtful accounts is maintained, based on past experiences and other known circumstances. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2020, the allowance for doubtful accounts was \$129,609.

Grants receivable consist of amounts due from foundations and government entities. At December 31, 2020, grants receivable amounted to \$2,778,151 and is included as part of accounts and grants receivable. Management believes this amount is fully collectible; therefore, no allowance for doubtful accounts has been provided.

Fixed assets

BSR capitalizes additions of fixed assets 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 two to three years for IT equipment and software, and seven years for furniture. Leasehold improvements are amortized over the lesser of the estimated useful life of the respective assets or the related lease term.

Revenue recognition and deferred revenue

Consulting revenue is recognized when services are provided. On fixed fee contracts, if billings are submitted prior to the revenue being earned, the amount is recorded as deferred revenue and recognized when earned. 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.

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 deferred and recognized on a straight-line basis over the periods to which the dues relate.

Government funded contracts are recognized as revenue as related expenses are incurred. Cash received in advance of expenditures is classified as deferred revenue.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

Contributions are recognized as revenue when the donor makes an unconditional promise to give. Unconditional promises to give are recognized as revenue and receivables in the period in which notification of the promise is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Donated services

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

Contribution revenue and a related expense is recorded for donated services at the fair value of those services if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise need to be purchased if not donated. Noncash contributions received during the year ended December 31, 2020 amounted to \$52,646 consisted primarily of donated professional services.

Functional allocation of expenses

The costs of providing BSR's various programs and other activities have been presented in the consolidated statement 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 and fundraising 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 indirect costs.

Income taxes

BSR has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, under Section 1(d) of Title II of the District of Columbia Department of Finance and Revenue Code, and under Section 23701(d) of the California Revenue and Taxation Code and generally is not subject to state or federal income taxes. Taxes are paid on unrelated business income which arises from certain consulting services.

The subsidiaries and Hong Kong branch of the 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 provided for based on management's estimates of tax liability in those jurisdictions. Tax expense recorded for foreign jurisdictions during 2020 was \$332,309.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 Internal Revenue Code 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. Tax expense recorded for unrelated business income tax ("UBIT") during 2020 was \$(5,693).

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. BSR has two grants receivables that consist 22% of the total balance. Credit risk is mitigated by the number of companies and foundations comprising the receivable balance. An allowance for doubtful accounts is also maintained.

Use of estimates

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

Prior year information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BSR's consolidated financial statements for December 31, 2019 from which the summarized information was derived.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 US dollar. BSR does not use derivative financial instruments to manage its risks associated with foreign currency exchange fluctuations.

3. FIXED ASSETS

Fixed assets consist of the following:

Software development	\$ 338,919
IT equipment	649,038
Furniture and fixtures	752,702
Leasehold improvements	<u>901,514</u>
	2,642,173
Accumulated depreciation	<u>(2,190,437)</u>
	<u><u>\$ 451,736</u></u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$212,040.

4. OPERATING LEASES

BSR recognizes all rent expense on a straight-line basis. BSR maintains offices and leases in the United States, China, Denmark, France, and Hong Kong. The lease terms run from September 2009 to March 2026. The rental amounts range from \$3,514 to \$37,870 per month for these office spaces, with annual increases built over the lease terms.

Future minimum lease payments under operating leases, having remaining non-cancelable lease terms are as follows:

Year ending December 31,

2021	\$ 1,504,375
2022	939,372
2023	705,838
2024	507,759
2025	522,992
Thereafter	<u>131,707</u>
	<u><u>\$ 4,312,043</u></u>

Rental expense under all operating leases for the year ended December 31, 2020 was \$1,531,893.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Climate Change	\$ 47,469
Women's Empowerment	61,522
Human Rights	43,178
HER Project	3,949,303
Inclusive Economy	531,576
Sustainability Management	915,271
Supply Chain Sustainability	<u>8,532</u>
	<u>\$ 5,556,851</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Climate Change	\$ (213,331)
Women's Empowerment	(702,199)
Human Rights	(111,306)
HER Project	(1,538,707)
Inclusive Economy	(264,094)
Supply Chain Sustainability	<u>(305,220)</u>
	<u>\$ (3,134,857)</u>

6. LINE OF CREDIT

In previous fiscal years, BSR entered into a line of credit arrangement with a financial institution that includes a maximum borrowing limit of \$500,000. The line of credit bears interest at a rate equal to bank's base rate plus 0.50% (6.00% at December 31, 2020). There were no borrowings outstanding under the line at December 31, 2020. BSR is required to maintain compliance with certain financial and reporting covenants under the terms of the agreement; BSR was in compliance with the covenants at December 31, 2020.

7. RETIREMENT PLANS

The Organization sponsors a 401(k) salary deferral plan for eligible U.S. employees. Participants may make contributions to the plan. During 2020, there were no employer matching contributions to this plan; BSR made a 3% non-elective contribution into a Safe Harbor plan totaling \$256,326.

On August 1, 2004, BSR established a voluntary salary deferral plan for the Chief Executive Officer ("Participant") under IRC Section 457(b). During 2020, there were no employer contributions to the plan. The Participant is immediately vested in employer contributions.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
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8. RELATED PARTY TRANSACTIONS

BSR receives revenues from companies that employ members of the Board of Directors. For the year ended December 31, 2020, BSR recognized revenues that totaled \$110,923 in membership fees, \$677,755 in consulting fees and \$49,646 in conference sponsorship from such companies. Total amounts receivable from these companies was \$716,100 at December 31, 2020.

9. COMMITMENTS AND CONTINGENCIES

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

10. LIQUIDITY AND FUNDS AVAILABLE

The following reflects BSR's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet 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 donors within one year. Monthly, the Executive Committee reviews BSR's financial position and ensures that a reasonable cash position is being maintained. BSR maintains 45 days in cash as a minimum.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2020 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 11,010,779
Contributions receivable	271,800
Accounts, contributions and grants receivables, net	<u>8,714,962</u>
	19,997,541
Less: Donor restricted funds	<u>(5,556,851)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 14,440,690</u></u>
Funds available - line of credit	<u><u>\$ 500,000</u></u>

BSR has financial assets available at December 31, 2020 to cover approximately 200 days of operating expenses, excluding depreciation and amortization, based on actual operating expenses, excluding depreciation and amortization, for the year then ended.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

11. SUBSEQUENT EVENTS

BSR evaluated subsequent events for recognition and disclosure through April 22, 2021, 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.

12. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") spread to a number of countries, including the U.S., resulting in the World Health Organization declaring it a global pandemic on March 11, 2020. In addition, several states in the U.S., including California, where BSR is located, have declared a state of emergency. In response, the U.S. Government enacted the Coronavirus Aid Relief and Economic Security ("CARES") Act, which includes significant provisions to provide relief and assistance to affected organizations. COVID-19 could adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect BSR in a variety of ways. BSR cannot anticipate all of the ways in which COVID-19 could adversely impact its operations. Although BSR is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.

13. PAYCHECK PROTECTION PROGRAM

On April 15, 2020 BSR received loan proceeds of \$1,618,875 from a promissory note issued by the SBA, under the Paycheck Protection Program ("PPP") which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term of the loan is 2 years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. BSR obtained forgiveness of the loan on November 24, 2020. Based on the loan forgiveness, BSR recognized other income totaling \$1,618,875 during the year ended December 31, 2020.



## SUPPLEMENTARY INFORMATION

BUSINESS FOR SOCIAL RESPONSIBILITY – DANIDA PROJECT  
Budget to Actual Report  
For the Year Ended December 31, 2020

	DKK		
	Budget 2020	2020 Actual	Over/(Under)
<b>Engagement objective 1</b>			
- Denmark	553,579	422,670	(130,908)
- In Partner Country	1,394,278	1,060,951	(333,327)
- Other Direct Costs	174,843	72,643	(102,199)
			-
<b>Engagement objective 2</b>			
- Denmark	60,620	129,649	69,029
- In Partner Country	-	-	-
- Other Direct Costs	214,325	17,319	(197,006)
			-
<b>Engagement objective 3</b>			
- Denmark	462,551	357,246	(105,305)
- In Partner Country	-	-	-
- Other Direct Costs	703,667	152,713	(550,954)
			-
Other Direct Costs (M&E, Audit, Security Costs, IT)	287,194	317,325	30,131
Indirect Cost Rate (7%)	271,645	177,136	(94,509)
			-
<b>Grand total</b>	<b>4,122,701</b>	<b>2,707,652</b>	<b>(1,415,048)</b>

# BUSINESS FOR SOCIAL RESPONSIBILITY – DANIDA PROJECT

## Spend Report

### For the Year Ended December 31, 2020

Financial Report 2020

Denmark's contribution to the Maritime Anti-Corruption Network for 2020

		2019 Actual Spend	2020 Actual Spend					
	Budget in DKK	(DKK)	Denmark	Partner Country	ODC	Total 2020 Actual	Total 2020 Actual DKK	Inception to 2020 DKK
<b>Engagement objective 1</b>								
Output 1.1 Communication campaign about the new Standard Operating Procedures and grievance mechanism targeting government officials and the private sector	DKK 2,955,909	DKK 899,743	USD 13,988	USD 102,447	USD 11,725	USD 128,160	DKK 784,332	DKK 1,684,075
Output 1.2 Support function/helpdesk for the private sector to use the grievance mechanism, and follow up on reports filed	DKK 828,283	DKK 242,639	USD 18,615	USD 17,618	USD 32	USD 36,265	DKK 221,942	DKK 464,581
Output 1.3 Toolkit for the private and public sector on how to integrate the new standard operating procedures in their daily operations	DKK 1,034,309	DKK 266,298	USD 15,207	USD 17,949	-	USD 33,157	DKK 202,918	DKK 469,216
Output 1.4 National Port integrity rating index	DKK 920,909	DKK 316,815	USD 18,727	USD 17,885	USD 114	USD 36,726	DKK 224,759	DKK 541,574
Output 1.5 Regional best practice and Integrity awareness workshops with key stakeholders in the maritime sector from Nigeria and neighboring countries	DKK 1,044,929	-	USD 2,526	USD 17,460	-	USD 19,986	DKK 122,314	DKK 122,314
<b>Subtotal Development engagement 1 USD</b>			<b>USD 69,064</b>	<b>USD 173,359</b>	<b>USD 11,870</b>	<b>USD 254,294</b>		
<b>Subtotal Development engagement 1 DKK</b>	<b>DKK 6,784,339</b>	<b>DKK 1,725,495</b>	<b>DKK 422,670</b>	<b>DKK 1,060,951</b>	<b>DKK 72,643</b>	<b>DKK 1,556,264</b>	<b>DKK 1,556,264</b>	<b>DKK 3,281,759</b>
<b>Engagement objective 2</b>								
Output 2.1 Annual public-private sector and inter-industry dialogue forum and best practice brief on fighting corruption through collective action in ports	DKK 1,066,913	DKK 258,512	USD 21,185	-	USD 2,830	USD 24,015	DKK 146,968	DKK 405,479
<b>Sub-total Development engagement 2 USD</b>			<b>USD 21,185</b>	<b>-</b>	<b>USD 2,830</b>	<b>USD 24,015</b>		
<b>Sub-total Development engagement 2 DKK</b>	<b>DKK 1,066,913</b>	<b>DKK 258,512</b>	<b>DKK 129,649</b>	<b>-</b>	<b>DKK 17,319</b>	<b>DKK 146,968</b>	<b>DKK 146,968</b>	<b>DKK 405,479</b>
<b>Engagement objective 3</b>								
Output 3.1 Index Methodology	DKK 596,913	-	USD 31,661	-	USD 15,129	USD 46,790	DKK 286,354	DKK 286,354
Output 3.2 Online Data Visualization Portal and Reporting Mechanism	DKK 1,566,913	-	USD 26,713	-	USD 9,824	USD 36,537	DKK 223,606	DKK 223,606
Output 3.3 Port Integrity Index 2021	DKK 596,914	-	-	-	-	-	-	-
Output 3.4 Communication Campaign and Stakeholder Engagement	DKK 737,913	-	-	-	-	-	-	-
<b>Sub-total Development engagement 3 USD</b>			<b>USD 58,374</b>	<b>-</b>	<b>USD 24,953</b>	<b>USD 83,327</b>		
<b>Sub-total Development engagement 3 DKK</b>	<b>DKK 3,498,653</b>		<b>DKK 357,246</b>	<b>-</b>	<b>DKK 152,713</b>	<b>DKK 509,959</b>	<b>DKK 509,959</b>	<b>DKK 509,959</b>
<b>Sub-total Thematic Programme USD</b>			<b>USD 148,623</b>	<b>USD 173,359</b>	<b>USD 39,653</b>	<b>USD 361,635</b>		
<b>Sub-total Thematic Programme DKK</b>	<b>DKK 11,349,905</b>	<b>DKK 1,984,007</b>	<b>DKK 909,565</b>	<b>DKK 1,060,951</b>	<b>DKK 242,676</b>	<b>DKK 2,213,191</b>	<b>DKK 2,213,191</b>	<b>DKK 4,197,198</b>
<b>Sub-total Thematic Programme</b>	<b>DKK 11,349,905</b>	<b>DKK 1,984,007</b>	<b>USD 148,623</b>	<b>USD 173,359</b>	<b>USD 39,653</b>	<b>USD 361,635</b>	<b>DKK 2,213,191</b>	<b>DKK 4,197,198</b>
Other Direct Costs (M&E, Audit, Security Costs, IT)	DKK 799,750	DKK 112,263	-	-	USD 51,851	USD 51,851	DKK 317,325	DKK 429,588
	<b>DKK 12,149,655</b>	<b>DKK 2,096,270</b>	<b>USD 148,623</b>	<b>USD 173,359</b>	<b>USD 91,504</b>	<b>USD 413,486</b>	<b>DKK 2,530,516</b>	<b>DKK 4,626,785</b>
Indirect Cost Rate (7%)	DKK 850,345	DKK 146,408				USD 28,944	DKK 177,136	DKK 323,544
<b>Grand total</b>	<b>DKK 13,000,000</b>	<b>DKK 2,242,677</b>				<b>USD 442,430</b>	<b>DKK 2,707,652</b>	<b>DKK 4,950,329</b>
<i>*Exchange rate used</i>								
		6.11995104						

BUSINESS FOR SOCIAL RESPONSIBILITY – DANIDA PROJECT  
Notes to the Income and Expense Statement  
For the Year Ended December 31, 2020

1. The DANIDA Project also benefits from funding provided by membership dues for the MACN Collaborative Initiative Participants. The membership dues from these participants are used to support the same mission agenda as the DANIDA project. Membership dues from these participants was \$1,017,725 for the period ended December 31, 2020. The monies associated with these membership dues are not included in the accompanying 2020 Spend Report and MACN – DANIDA Progress Report 2020. They are neither grants nor contributions specific to the DANIDA Project.
2. The amounts reflected in the 2020 Spend Report are presented in U.S. Dollars as well as Danish Krone. Amounts have been translated between U.S. Dollars and Danish Krone at various dates and associated exchange rates throughout the period beginning January 1, 2020 to December 31, 2020. Grant funding received on April 29, 2020 was translated from Danish Krone to U.S. Dollars using an exchange rate of 0.1445928.
3. Per the terms of the Grant agreement, BSR is allowed to allocate overhead expenses at a rate not to exceed 7%. That is the rate utilized by BSR and reflected in the 2020 Spend Report and MACN – DANIDA Progress Report 2020.
4. No accrued interest has been recorded on the Grant monies received for the period ending December 31, 2020.
5. The following table represent funding received and unspent during the year ended December 31, 2020:

Unspent funds at the beginning of the year	\$ 32,734	
Grants received during the fiscal year	536,819	
Bank interest	-	
Disbursements under the Grant	(442,430)	
Unspent funds at the end of the year	\$ 127,123	

Unspent funds have been recorded as deferred revenue liability to be carried over to the next year of the DANDIA grant funding.