

**Business for Social Responsibility and  
Subsidiaries**

Consolidated Financial Statements

December 31, 2019  
(With Comparative Totals for 2018)



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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, 2019, 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, 2019, 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.

## **Change in Accounting Principle**

As described in Note 2 to the consolidated financial statements, Business for Social Responsibility and Subsidiaries has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as well as ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to these matters.

## **Emphasis of Matter**

As described in Note 11, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 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 is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited Business for Social Responsibility and Subsidiaries's 2018 consolidated financial statements, and our report dated April 5, 2019 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, 2018, 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 1, 2020

Business for Social Responsibility and Subsidiaries  
Consolidated Statement of Financial Position  
December 31, 2019  
(With Comparative Totals for 2018)

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,952,919	\$ 4,271,161
Accounts and grants receivable, net	12,065,203	7,412,154
Prepaid expenses and other	<u>392,774</u>	<u>270,617</u>
Total current assets	16,410,896	11,953,932
Accounts and grants receivable, net of current portion	761,999	839,279
Lease deposits	607,740	730,387
Fixed assets, net	<u>592,698</u>	<u>519,745</u>
Total assets	<u>\$ 18,373,333</u>	<u>\$ 14,043,343</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 1,093,373	\$ 769,233
Accrued salaries and related benefits	1,334,064	1,610,342
Accrued liabilities	495,408	979,704
Deferred revenue	8,479,373	6,040,770
Deferred rent, current	<u>99,243</u>	<u>115,889</u>
Total current liabilities	<u>11,501,461</u>	<u>9,515,938</u>
Long-term liabilities		
Deferred rent, non-current	<u>385,632</u>	<u>367,460</u>
Total long-term liabilities	<u>385,632</u>	<u>367,460</u>
Total liabilities	<u>11,887,093</u>	<u>9,883,398</u>
Net assets		
Without donor restrictions	(806,248)	(148,859)
With donor restrictions	<u>7,292,488</u>	<u>4,308,804</u>
Total net assets	<u>6,486,240</u>	<u>4,159,945</u>
Total liabilities and net assets	<u>\$ 18,373,333</u>	<u>\$ 14,043,343</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, 2019  
(With Comparative Totals for 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenues				
Consulting revenues	\$ 16,823,678	\$ -	\$ 16,823,678	\$ 14,915,245
Conferences and seminars	1,045,668	-	1,045,668	1,419,329
Membership dues	5,896,989	-	5,896,989	5,434,454
Government funded contracts	1,139,532	-	1,139,532	1,440,359
Foundation grants	-	6,085,978	6,085,978	3,076,212
Contributions	5,710	-	5,710	249,418
Interest income	421	-	421	1,125
Other income (loss)	(796)	-	(796)	137,915
In-kind revenue	<u>164,170</u>	<u>-</u>	<u>164,170</u>	<u>111,467</u>
Total support and revenues	<u>25,075,372</u>	<u>6,085,978</u>	<u>31,161,350</u>	<u>26,785,524</u>
Net assets released from restriction	<u>3,102,294</u>	<u>(3,102,294)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>28,177,666</u>	<u>2,983,684</u>	<u>31,161,350</u>	<u>26,785,524</u>
Functional expenses				
Program services	23,772,406	-	23,772,406	21,828,260
Support services	<u>5,000,420</u>	<u>-</u>	<u>5,000,420</u>	<u>5,261,121</u>
Total functional expenses	<u>28,772,826</u>	<u>-</u>	<u>28,772,826</u>	<u>27,089,381</u>
Change in net assets from operations	<u>(595,160)</u>	<u>2,983,684</u>	<u>2,388,524</u>	<u>(303,857)</u>
Other nonoperating changes in net assets				
Cumulative translation adjustment	<u>(62,229)</u>	<u>-</u>	<u>(62,229)</u>	<u>(89,722)</u>
Total other nonoperating changes in net assets	<u>(62,229)</u>	<u>-</u>	<u>(62,229)</u>	<u>(89,722)</u>
Change in net assets	(657,389)	2,983,684	2,326,295	(393,579)
Net assets (deficit), beginning of year	<u>(148,859)</u>	<u>4,308,804</u>	<u>4,159,945</u>	<u>4,553,524</u>
Net assets (deficit), end of year	<u>\$ (806,248)</u>	<u>\$ 7,292,488</u>	<u>\$ 6,486,240</u>	<u>\$ 4,159,945</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, 2019  
(With Comparative Totals for 2018)

	Program Services										Support	2019	2018	
	Climate Change	Human Rights	Inclusive Economy	Supply Chain Sustainability	Sustainability Management	Women's Empowerment	Conference	Membership	General Program	Total Program Services	Management and General			Total
Expenses														
Salaries	\$ 546,634	\$ 729,544	\$ 278,730	\$ 361,836	\$ 929,678	\$ 729,208	\$ 362,560	\$ 479,934	\$ 7,288,156	\$ 11,706,280	\$ 2,094,467	\$ 13,800,747	\$ 13,272,252	
Payroll taxes and benefits	189,707	284,229	102,135	151,512	291,288	368,513	138,904	197,150	1,560,676	3,284,114	745,252	4,029,366	3,438,404	
Personnel recruiting/development	-	-	-	-	90	-	-	-	90,798	90,888	46,993	137,881	216,800	
Contractors/professional services	91,804	525,650	130,438	747,922	388,741	1,570,173	444	30,202	344,651	3,830,025	299,843	4,129,868	3,847,801	
Travel	108,259	272,211	32,637	92,277	188,529	234,995	164,671	16,077	566,526	1,676,182	67,923	1,744,105	1,413,399	
Marketing	255	1,399	-	-	25,306	458	980	-	14,211	42,609	874	43,483	93,983	
Production	-	-	66	2,744	10,925	32,604	291,968	-	4,546	342,853	493	343,346	360,160	
Conferences and workshops	64,036	47,285	15,574	4,117	98,641	48,576	524,724	16,267	68,735	887,955	18,094	906,049	1,022,967	
Rent and occupancy	-	-	-	-	17	(187)	-	-	888,602	888,432	675,474	1,563,906	1,522,739	
Office expense	180	5,155	14,215	662	1,587	10,519	2,361	581	216,254	251,514	101,514	353,028	275,092	
Information systems	1,411	2,160	138	939	17,141	4,295	11,684	71	183,748	221,587	431,874	653,461	639,859	
Postage and delivery	149	1,592	456	3,406	11,089	2,754	345	697	19,619	40,107	11,833	51,940	37,945	
Taxes and fees	833	743	379	(334)	1,996	5,824	19,167	1,637	139,451	169,696	112,248	281,944	305,277	
General insurance	-	-	-	-	-	-	-	-	7,784	7,784	156,046	163,830	146,665	
Miscellaneous	13,029	-	13,401	34,232	51,398	50,790	-	5,360	-	168,210	10,146	178,356	75,792	
Donated services	-	-	-	-	-	-	164,170	-	-	164,170	-	164,170	111,467	
Total expenses	1,016,297	1,869,968	588,169	1,399,313	2,016,426	3,058,522	1,681,978	747,976	11,393,757	23,772,406	4,773,074	28,545,480	26,780,602	
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	227,346	227,346	308,779	
	<u>\$ 1,016,297</u>	<u>\$ 1,869,968</u>	<u>\$ 588,169</u>	<u>\$ 1,399,313</u>	<u>\$ 2,016,426</u>	<u>\$ 3,058,522</u>	<u>\$ 1,681,978</u>	<u>\$ 747,976</u>	<u>\$ 11,393,757</u>	<u>\$ 23,772,406</u>	<u>\$ 5,000,420</u>	<u>\$ 28,772,826</u>	<u>\$ 27,089,381</u>	

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, 2019  
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,326,295	\$ (393,579)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	227,346	308,779
Loss on fixed asset disposals	120	4,350
Changes in operating assets and liabilities		
Accounts and grants receivable, net	(4,575,769)	1,110,484
Prepaid expenses and other	(122,157)	254,846
Lease deposits	122,647	(111,430)
Accounts payable	324,140	(278,558)
Accrued salaries and related benefits	(276,278)	513,834
Accrued liabilities	(484,296)	341,788
Deferred revenue	2,438,603	(1,887,183)
Deferred rent	1,526	(45,644)
Net cash used in operating activities	(17,823)	(182,313)
Cash flows from investing activities		
Purchases of fixed assets	(300,419)	(129,992)
Net cash used in investing activities	(300,419)	(129,992)
Cash flows from financing activities		
Principal repayments on capital leases	-	(1,149)
Net cash provided by (used in) financing activities	-	(1,149)
Net decrease in cash and cash equivalents	(318,242)	(313,454)
Cash and cash equivalents, beginning of year	4,271,161	4,584,615
Cash and cash equivalents, end of year	\$ 3,952,919	\$ 4,271,161

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 536	\$ 1,427
Taxes	\$ 299,929	\$ 181,086

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, 2019

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 the Organization and its wholly-owned subsidiaries in China, France, Denmark, Japan and its branch in Hong Kong (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, 2019

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, 2019, the allowance for doubtful accounts was \$20,524.

Grants receivable consist of amounts due from foundations and government entities. At December 31, 2019, grants receivable amounted to \$2,511,584 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, 2019

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, 2019 amounted to \$164,170 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 director 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

The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, under Section 1(d) of Title II of the District of Columbia Department of Finance and Revenue Code, and under Section 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 Organization are all subject to income taxes in foreign jurisdictions. The Chinese subsidiary is a wholly-foreign-owned enterprise and the French subsidiary is a 1901 Association. Income tax expense is provided for based on management's estimates of tax liability in those jurisdictions. Tax expense recorded for foreign jurisdictions during 2019 was \$31,936.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2019

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 the Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the tax positions taken or expected to be taken by the Organization have not had a material impact on the consolidated financial statements. Tax expense recorded for unrelated business income tax ("UBIT") during 2019 was \$18,408.

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, 2018 from which the summarized information was derived.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

BSR evaluated subsequent events for recognition and disclosure through April 1, 2020, the date the consolidated financial statements were available to be issued. Subsequent events have occurred that would have a potential material impact on the presentation of BSR's consolidated financial statements.

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.

Change in accounting principle

Effective January 1, 2019, BSR adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard replaces previous revenue recognition standards and requires entities to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services by applying the following steps:

- (i.) Identify the contract(s) with a customer
- (ii.) Identify the performance obligation in the contract(s)
- (iii.) Determine the transaction price.
- (iv.) Allocate the transaction price to the performance obligations in the contract(s), and
- (v.) Recognize the revenue, when, or as, the Company satisfies a performance obligation

BSR adopted the ASU using the modified retrospective approach. There were no cumulative effect to the opening of net assets after applying the new guidance to all contracts with customers that were not completed as of January 1, 2019. The adoption is not expected to have a material impact on future financial results, as the adoption did not change the recognition pattern for BSR's existing revenue streams.

Effective January 1, 2019, BSR adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The purpose of the standard was to assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance and determining whether a contribution is conditional.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

BSR adopted the ASU using the modified retrospective approach. There were no cumulative effect to the opening of net assets after applying the new guidance to all contributions and grants that were not completed as of January 1, 2019. The adoption is not expected to have a material impact on future financial results, as the adoption did not change the recognition pattern for BSR's existing revenue streams.

3. FIXED ASSETS

Fixed assets consist of the following:

Software development	\$ 257,755
IT equipment	660,398
Furniture and fixtures	752,702
Leasehold improvements	<u>899,826</u>
	2,570,681
Accumulated depreciation	<u>(1,977,983)</u>
	<u>\$ 592,698</u>

Depreciation and amortization expense for the year ended December 31, 2019 was \$227,346.

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 February 2022. In 2018, BSR signed a new lease agreement for an office space in San Francisco, California. The lease term is from April 1, 2019 to March 31, 2026. The rental amounts range from \$3,514 to \$37,759 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:

<u>Year ending December 31,</u>	
2020	\$ 1,339,941
2021	1,363,070
2022	1,402,321
2023	793,690
2024	507,759
Thereafter	<u>644,979</u>
	<u>\$ 6,051,760</u>

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2019

4. OPERATING LEASES (continued)

Rental expense under all operating leases for the year ended December 31, 2019 was \$1,437,820.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Climate Change	\$ 178,800
Women's Empowerment	172,656
Human Rights	25,000
HER Project	4,891,339
Inclusive Economy	795,670
Sustainability Management	1,220,491
Supply Chain Sustainability	<u>8,532</u>
	<u>\$ 7,292,488</u>

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

Climate Change	\$ (403,390)
Women's Empowerment	(303,789)
Human Rights	(74,977)
HER Project	(1,570,653)
Inclusive Economy	(753,404)
Other	<u>3,919</u>
	<u>\$ (3,102,294)</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, 2019). There was no borrowings outstanding under the line at December 31, 2019. 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, 2019.

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 2019, there were no employer matching contributions to this plan, and employer annual discretionary contributions to this plan totaled \$227,891.

Business for Social Responsibility and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2019

7. 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 2019, there were no employer contributions to the plan. The Participant is immediately vested in employer contributions.

8. RELATED PARTY TRANSACTIONS

BSR receives revenues from companies that employ members of the Board of Directors. For the year ended December 31, 2019, BSR recognized revenues that totaled \$220,845 in membership fees, \$1,367,313 in consulting fees and \$11,170 in conference sponsorship from such companies. Total amounts receivable from these companies was \$250,242 at December 31, 2019.

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, 2019 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 3,952,919
Accounts and grants receivable, current portion	<u>12,827,202</u>
	16,780,121
Less: Donor restricted funds	<u>(7,292,488)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,487,633</u>
Funds available - line of credit	<u>\$ 500,000</u>



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10. LIQUIDITY AND FUNDS AVAILABLE (continued)

BSR has financial assets available at December 31, 2019 to cover approximately 117 days of operating expenses based on the fiscal year 2020 budget.

11. SUBSEQUENT EVENTS

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 COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. There is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact BSR. However, the financial impact and duration cannot be reasonably estimated at this time. We have adjusted certain aspects of our operations to protect our employees and customers.