

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

GREATERGOOD.ORG

June 30, 2018

MOSSADAMS

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Report of Independent Auditors

To the Board of Directors
GreaterGood.org

Report on the Financial Statements

We have audited the accompanying financial statements of GreaterGood.org (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Seattle, Washington
May 15, 2019

GreaterGood.org
Statement of Financial Position
June 30, 2018

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 4,311,021
Short-term investments	745,040
Accounts receivable, net	1,428,159
Donated goods inventory	433,608
Prepaid expenses	66,688
Total current assets	6,984,516
Long-term investments	283,132
Fixed assets, net	157,227
Total non-current assets	440,359
Total assets	$ 7,424,875

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and other current liabilities	$ 369,002
Grants payable	375,668
Deferred revenue	15,000
Total liabilities	759,670
Unrestricted	1,881,156
Temporarily restricted	4,784,049
Total net assets	6,665,205
Total liabilities and net assets	$ 7,424,875

GreaterGood.org
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE			
In-kind donations	$ 39,505,916	$ -	$ 39,505,916
Donations	8,711,904	102,007	8,813,911
Royalties	1,637,298	-	1,637,298
Handling fees	1,037,817	-	1,037,817
Interest and dividends	345	-	345
Unrealized gains	1,868	-	1,868
Gain on disposal of equipment	1,831	-	1,831
Net assets released from restriction	681,984	(681,984)	-
Total operating revenue and other support	51,578,963	(579,977)	50,998,986
EXPENSES			
Program	50,742,172	-	50,742,172
Fundraising	710,118	-	710,118
Management and general	639,890	-	639,890
Total expenses	52,092,180	-	52,092,180
Total change in net assets	(513,217)	(579,977)	(1,093,194)
NET ASSETS, beginning of year	2,394,373	5,364,026	7,758,399
NET ASSETS, end of year	$ 1,881,156	$ 4,784,049	$ 6,665,205

See accompanying notes.

GreaterGood.org
Statement of Cash Flows
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,093,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	22,254
Net realized and unrealized gains on investments	(1,868)
Gain on disposal of equipment	(1,831)
Change in accounts receivable allowance	2,679,452
Changes in operating assets and liabilities	
Accounts receivable	(865,497)
Inventory	(106,723)
Prepaid expenses	122
Accounts payable and other current liabilities	468,788
Net cash from operating activities	1,101,503
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchase of investments	(1,026,304)
Purchase of furniture and equipment	(27,835)
Proceeds from sale of furniture and equipment	8,525
Net cash used in investing activities	(1,045,614)
NET CHANGE IN CASH AND CASH EQUIVALENTS	55,889
CASH AND CASH EQUIVALENTS, beginning of year	4,255,132
CASH AND CASH EQUIVALENTS, end of year	$ 4,311,021
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION	
Donation of items held in inventory	$ 433,608

Note 1 – Operations and Summary of Significant Accounting Policies

GreaterGood.org (the Organization) is an independent charitable organization devoted to improving the health and well-being of people, animals, and the planet. The Organization distributes funds generated through the GreaterGood Network family of websites, including GreaterGood.org, to nonprofit partners responsible for addressing the Organization's causes. This funding includes internal programs and grants to worthwhile organizations dedicated to the welfare of the global community. The Organization's causes include hunger and poverty, breast cancer and women's health, children's health and well-being, literacy and children's education, protecting and restoring the environment, and care and feeding of rescued animals.

Basis of accounting – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets include all net assets on which there are no donor-imposed restrictions for use, or such donor-imposed restrictions were met in the year of gift.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions to be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of June 30, 2018.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Expirations of restrictions met in the year of gift are reported as unrestricted.

Cash and cash equivalents – The Organization considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Accounts receivable – Accounts receivable is comprised of trade receivables and contributions receivables. The balance of trade receivables at June 30,2018 was $62,340. Accounts receivable are stated at the amount management expects to collect from outstanding balances in less than one year. Receivable allowances are established for uncertain collectibles as determined necessary. Receivable allowance balance at June 30, 2018, was $2,679,452. See Note 8 for further discussion. All amounts are due within one year of June 30, 3018 thus no discount is recorded.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Investments – Investments are stated at fair value determined by quoted market prices. They consist primarily of debt, equity and certificate of deposit investments. These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the statement of financial position. See Note 7 for additional disclosure regarding investment valuation.

Fixed assets – The Organization capitalizes assets with a cost greater than $1,000 and estimated useful life of more than one year. Smaller, like-kind assets purchased at the same time for an aggregate cost greater than $1,000 and estimated useful life of more than one year will also be capitalized. Purchased assets are carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Equipment	3–5 years
Vehicles	5–10 years
Software	5–7 years

Gifts of capital assets are reported as unrestricted contributions, unless explicit donor stipulations require otherwise. Fixed assets as of June 30, 2018, consisted of purchased and donated vehicles as well as software under development for an application that will support the Organization's programs and assist with the tracking of inventory, computer equipment, and office furniture.

Donated goods inventory – Donated goods are recorded as in-kind contributions at estimated fair values at the date of donation. Donated goods inventory consists of donated pet food and various pet supplies.

Contributions – The Organization's cash contributions consist of donations, royalties and handling fees. Donations are received from individuals, corporations and foundations through online platforms and direct mail. Contributions received from corporations based on based on incentivized consumer behavior is recorded as royalties. Handling fees is program service revenue related to the handling and storage of in-kind contributions. Donations and royalties revenue is recognized when the contribution is realizable. Handling fees are recognized when the related in-kind contributions have been transferred or services rendered. In-kind contributions are recognized when goods and services are donated or when an unconditional promise is made. Conditional promises to give are not recorded as revenue until such donor conditions are met. Direct donor contributions, donated professional services, materials, and facilities may include temporary or permanent restrictions depending on the existence or nature of any donor restrictions and are therefore recorded based on the existence or absence of donor restrictions.

In-kind contributions – The Organization received donated pet food, pet supplies, advertising, and publishing. For the year ended June 30, 2018, in-kind contributions were $39,505,916. Included in that amount is $426,182 of contributed advertising services used to help generate donations for all programs.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Federal income taxes – The Internal Revenue Service has recognized the Organization as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). The Company follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. Management does not believe the Organization has an uncertain tax position as of and for the year ended June 30, 2018.

Concentrations – For the year ended June 30, 2018, 100% of the Organization's royalty revenues were from two donors.

For the year ended June 30, 2018, three donors comprised 71% of the Organization's in-kind donations and one donor comprised 36% of the Organization's handling fees revenue.

Allocation of functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis on the statement of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited.

Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions. These affect the reported amounts of assets, liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Subsequent events – The Organization's management has evaluated subsequent events through May 15, 2019, the date on which the financial statements were available to be issued.

Note 2 – Fixed Assets

Fixed Assets consisted of the following at June 30, 2018:

Vehicles	$	59,605
Computer equipment		45,541
Software development in progress		79,500
Fixtures and furniture		3,208
Total fixed assets		187,854
Less accumulated depreciation		(30,627)
Total fixed assets, net	$	157,227

Note 3 – Related-Party Transactions

The Organization shared facilities, equipment, and staff support with CharityUSA.com during the year ended June 30, 2018. The Executive Director of the Organization served as the Vice President of Business Development of CharityUSA.com through July 2017. CharityUSA.com owns and operates the GreaterGood Network of websites and facilitates the collection of contributions through those sites on behalf of the Organization. During the year ended June 30, 2018, the Organization made payments totaling $2,422,331 to CharityUSA.com for the reimbursement of employee salaries and benefits paid on behalf of the Organization, rent expenses, accounting services, supplies, and bank expenses. With continued growth over time, the intent of the Organization is to pay all employee salaries and benefits, rent expenses, accounting services, supplies and bank expenses directly, working towards eliminating the reimbursement payments from CharityUSA.com.

The Organization entered into a royalty agreement with CharityUSA.com effective January 1, 2007 through December 31, 2011, and amended it on June 30, 2011, to extend through July 1, 2017, that granted CharityUSA.com a nonexclusive license to use the name and/or logo of the Organization in connection with the sale of CharityUSA.com products. Effective June 30, 2017, the Organization extended this royalty agreement with no effective termination date until written notice of termination by either party. The Organization receives royalties from advertising on the website and royalties based on the sale of merchandise sold by CharityUSA.com. The Organization received $1,176,242, or approximately 2% of its total revenue from the royalty agreement with CharityUSA.com during the year ended June 30, 2018. No other revenues were received from CharityUSA.com.

The Organization entered into a royalty agreement with HomeLife Media effective November 1, 2017, through November 1, 2019. The Organization receives royalties from advertising on the website and royalties based on the sale of merchandise sold by HomeLife Media. The Organization received approximately 1% of its total revenue from the royalty agreement with HomeLife Media during the year ended June 30, 2018.

During the year ended June 30, 2018, the Organization received contributions of $175,000 from three of its board members.

Note 4 – Lease Commitments

CharityUSA.com leases two facilities on behalf of the Organization. Total rent expense is passed through to the Organization on a monthly basis. Rent expense for the year ended June 30, 2018, totaled $112,086. CharityUSA.com does not have employees in the cities of these facilities and has only entered into the leases with the understanding that the Organization will make all payments. However, there is not a sublease agreement between the Organization and CharityUSA.com for these facilities.

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of June 30, 2018:

Breast cancer and women's health	$ 501,448
Literacy and children's education	337,226
Rescued animals	3,945,375
Total temporarily restricted net assets	$ 4,784,049

Note 6 – Jackson Galaxy Merger

Effective September 1, 2017, the Organization merged with the Jackson Galaxy Foundation (the Foundation). The Organization acquired 100% ownership in the Foundation, which carried a fair value of assets of $92,177. The merger was recognized as a contribution and is included in donations on the statement of activities for the year ended June 30, 2018.

Note 7 – Fair Values

The Organization applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The ASC describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 7 – Fair Values (continued)

The following table presents assets that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy as of June 30, 2018:

	2018	Level 1	Level 2	Level 3
Debt securities				
Domestic				
Treasury bonds	$ 740,309	$ 740,309	$ -	$ -
Total debt securities	740,309	740,309	-	-
Equity securities				
Domestic				
Stock	18,763	18,763	-	-
Foreign				
Stock	19,195	19,195	-	-
Total equity securities	37,958	37,958	-	-
Certificate of deposit	249,905	249,905	-	-
Total investments	$ 1,028,172	$ 1,028,172	$ -	$ -

Investments are presented in the statement of financial position as follows as of June 30, 2018:

Short-term investments	$ 745,040
Long-term investments	283,132
	$ 1,028,172

Investment income comprises the following as of June 30, 2018:

Interest and dividends	$ 345
Unrealized gains	1,868
	$ 2,213

Note 8 – CharityUSA.com Receivable

At the end of fiscal year 2016, a receivable from CharityUSA.com was recorded in the amount of $5,344,302. This amount was provided by CharityUSA.com as its liability for funds from public contributions through the Gifts That Give More (GTGM) program and funds generated by CharityUSA.com based on product sales.

During fiscal years 2017 and 2018, the receivable was partially paid in the amount of $2,664,850 beginning with all GTGM public contributions. Given the delay in the receipts of internally generated contributions from CharityUSA.com, the Organization's management decided to take a conservative approach by reserving against the remaining receivable balance of $2,679,452.

Note 9 – Subsequent Events

Effective January 1, 2019, the Organization entered into a strategic alliance agreement with Wings of Rescue Inc. (WOR). WOR is a California nonprofit corporation. As part of this agreement, each party may engage in cooperatively managed and sponsored programs for which the Organization agrees to receive grants, contributions, and gifts designated by the donors for use by WOR, and to convey those funds to WOR. In addition, the Organization may grant funds obtained from other sources to WOR. On the 15th of the month, the Organization will issue a grant to WOR for the donations raised during the prior month, net of fees for the online fundraising platform. WOR agrees to pay the Organization an administrative fee of 10% on monies received on certain programs.


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