

GREATERGOOD.ORG

Financial Statements

For the Year Ended June 30, 2016

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Independent Auditor's Report

**To the Board of Directors
GreaterGood.org
Seattle, Washington**

We have audited the accompanying financial statements of GreaterGood.org (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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 controls 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 controls 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 controls. 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.



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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, 2016, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
November 2, 2016

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Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,290,046	\$ 844,450
Accounts receivable	5,454,372	2,965,234
Donated goods inventory	336,493	353,370
Prepaid expenses	9,943	10,080
Total Current Assets	7,090,854	4,173,134
Equipment and software, net	100,466	102,990
Total Assets	<u>\$ 7,191,320</u>	<u>\$ 4,276,124</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other current liabilities	\$ 348,562	\$ 140,156
Total Liabilities	348,562	140,156
Total Unrestricted Net Assets	6,842,758	4,135,968
Total Liabilities and Net Assets	<u>\$ 7,191,320</u>	<u>\$ 4,276,124</u>

See accompanying notes.

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Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Operating Activities		
Operating Revenue and Other Support:		
Donations	\$ 5,090,079	\$ 3,127,361
Royalties	3,123,023	2,412,353
In-kind donations	27,972,150	11,841,179
Handling fees	<u>786,799</u>	<u>231,033</u>
Total Operating Revenue and Other Support	36,972,051	17,611,926
Operating Expenses:		
Program	33,702,945	16,340,012
Fundraising	347,766	169,415
Management and general	<u>214,550</u>	<u>152,217</u>
Total Operating Expenses	<u>34,265,261</u>	<u>16,661,644</u>
Change in Operating Net Assets	2,706,790	950,282
Nonoperating Activities		
Acquired contributions		<u>385,610</u>
Total Change in Unrestricted Net Assets	<u>2,706,790</u>	<u>1,335,892</u>
Net assets, beginning of year	<u>4,135,968</u>	<u>2,800,076</u>
Net Assets, End of Year	<u><u>\$ 6,842,758</u></u>	<u><u>\$ 4,135,968</u></u>

See accompanying notes.

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**Statement of Cash Flows
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,706,790	\$ 1,335,892
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	6,765	2,991
Donation of long-term asset		(26,481)
Donation of inventory	16,877	(353,370)
Changes in assets and liabilities:		
Accounts receivable	(2,489,138)	(702,518)
Prepaid expenses	137	(7,147)
Accounts payable and other current liabilities	208,406	96,708
Net Cash Provided by Operating Activities	<u>449,837</u>	<u>346,075</u>
Cash Flows From Investing Activities:		
Purchase of computer equipment and software	(4,241)	(79,500)
Net Cash Used by Investing Activities	<u>(4,241)</u>	<u>(79,500)</u>
Net Change in Cash and Cash Equivalents	445,596	266,575
Cash and cash equivalents, beginning of year	844,450	577,875
Cash and Cash Equivalents, End of Year	<u>\$ 1,290,046</u>	<u>\$ 844,450</u>
Supplementary Disclosure of Cash Flow Information:		
Equipment donations	\$ -	\$ 65,281
Donation of items held in inventory	\$ 336,493	\$ 353,370

See accompanying notes.

**Notes to Financial Statements
For the Years Ended June 30, 2016**

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 temporary and expired or were met during the current or previous years.

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. The Organization had no temporarily restricted net assets as of June 30, 2016 and June 30, 2015.

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, 2016 or 2015.

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.

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 and Contributions Receivable - Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. Receivable allowances are established for uncertain collectibles as determined necessary. No allowance was deemed necessary at June 30, 2016 and 2015.

**Notes to Financial Statements
For the Years Ended June 30, 2016**

Note 1 - Continued

Fixed Assets - The Organization capitalizes assets with a cost greater than \$1,000 and estimated useful life of more than one year. 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. Fixed assets as of June 30, 2016, consisted of 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.

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.

Contributions - Contribution revenue is recognized when cash is received, 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. The Organization's contributions are derived from various sources. Online contribution solicitations have been worded to grant the Organization "variance power" that gives the Organization control over all grant disbursements (individual pledges). Consequently, these online contributions are classified as unrestricted. 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, books, advertising, and publishing. For the years ended June 30, 2016 and 2015, in-kind contributions were \$27,972,150 and \$11,841,179, respectively.

Federal Income Taxes - The Internal Revenue Service has recognized the Organization as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3). Accordingly, no provision for federal income tax has been provided. The Organization files income tax returns with the U.S. government.

Concentrations - For the years ended June 30, 2016 and 2015, 98% of the Organization's accounts receivable were from one donor. For the years ended June 30, 2016 and 2015, 100% of the Organization's royalty revenues were from one donor.

For the year ended June 30, 2016 and 2015, four donors comprised 92% and 90% of the Organization's in-kind donations, respectively.

During the year ended June 30, 2016 and 2015, the Organization had no significant concentrations of grant disbursements to beneficiaries.

**Notes to Financial Statements
For the Years Ended June 30, 2016**

Note 1 - Continued

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.

Prior-Year Summarized Information - The 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for the Organization for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent Events - The Organization's management has evaluated subsequent events through November 2, 2016, the date on which the financial statement was available to be issued.

Note 2 - Equipment and Software

Equipment and software consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 26,481	\$ 26,481
Computer equipment	4,241	
Software development in progress	<u>79,500</u>	<u>79,500</u>
Total equipment and software	110,222	105,981
Less accumulated depreciation	<u>(9,756)</u>	<u>(2,991)</u>
Total Equipment and Software, Net	<u>\$ 100,466</u>	<u>\$ 102,990</u>

Note 3 - Organization Merger

Effective August 30, 2014, the Organization entered into an agreement with Rescue Bank to merge the operations and staffing of Rescue Bank into the operations of the Organization. Rescue Bank is located in Texas and its operations consist of accepting donated pet food and then distributing the pet food to other nonprofit groups throughout the country. As a result of the merger, the Organization added additional employees, inventory, and in-kind revenue and expenses. In addition, the net assets of Rescue Bank were acquired by the Organization as a result of the merger. These are reflected as acquired contributions in the statement of activities and changes in net assets for the year ended June 30, 2015.

**Notes to Financial Statements
For the Years Ended June 30, 2016**

Note 4 - Related Party Transactions

The Organization shared facilities, equipment, and staff support with CharityUSA.com during the years ended June 30, 2016 and 2015. The Executive Director of the Organization is the Vice President of Business Development of CharityUSA.com. CharityUSA.com owns and operates the GreaterGood Network of websites and facilitates the collection of contributions on behalf of the Organization. During the years ended June 30, 2016 and 2015, the Organization issued checks totaling \$1,327,711 and \$1,196,906, respectively, to CharityUSA.com for the reimbursement of employee salaries and benefits paid on behalf of the Organization, accounting services, supplies, and bank expenses.

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, 2016, that grants CharityUSA.com a nonexclusive license to use the name and/or logo of the Organization in connection with the sale of CharityUSA.com products. Subsequent to year end June 30, 2016, the Organization extended this royalty agreement through July 30, 2017. The Organization receives royalties from advertising on the website and royalties based on the sale of merchandise sold by CharityUSA.com. The Organization received 8% and 13% of its total revenue from the royalty agreement with CharityUSA during the years ended June 30, 2016 and 2015, respectively.

During the years ended June 30, 2016 and 2015, the Organization received contributions of \$309,000 and \$70,000 from two and one of its board members, respectively.

Note 5 - Lease Commitment

Effective September 1, 2015, the Organization entered into a two facility lease agreement for a term of 24 months expiring September 2017. This lease agreements calls for monthly payments ranging from \$4,533 to \$4,761. Rent expense for the year ended June 30, 2016 totaled \$70,092. Subsequent to year end, the Organization entered into two facility lease agreements for terms of 13 months and 36 months, respectively. As of June 30, 2016, future minimum lease payments for the operating lease obligation total \$91,786 through 2019.