

GREATERGOOD.ORG

Financial Statements

For the Years Ended June 30, 2017 and 2016

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10

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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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, 2017 and 2016, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.



Certified Public Accountants
February 9, 2018

GREATERGOOD.ORG

Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> (Restated)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,255,132	\$ 1,290,046
Accounts receivable	3,242,114	5,454,372
Donated goods inventory	326,885	336,493
Prepaid expenses	66,810	9,943
Total Current Assets	7,890,941	7,090,854
Equipment and software, net	158,340	100,466
Total Assets	<u>\$ 8,049,281</u>	<u>\$ 7,191,320</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other current liabilities	\$ 290,882	\$ 348,562
Total Liabilities	290,882	348,562
Unrestricted (restated)	2,394,373	1,680,467
Temporarily restricted (restated)	5,364,026	5,162,291
Total Net Assets	<u>7,758,399</u>	<u>6,842,758</u>
Total Liabilities and Net Assets	<u>\$ 8,049,281</u>	<u>\$ 7,191,320</u>

See accompanying notes.

GREATERGOOD.ORG

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenue and Other Support:			
Donations	\$ 538,519	\$ 5,439,526	\$ 5,978,045
Royalties	134,860		134,860
In-kind donations		44,434,705	44,434,705
Handling fees	1,026,502		1,026,502
Net assets released from restriction	49,672,496	(49,672,496)	
Total Operating Revenue and Other Support	51,372,377	201,735	51,574,112
Expenses:			
Program	49,762,701		49,762,701
Fundraising	518,409		518,409
Management and general	377,361		377,361
Total Expenses	50,658,471		50,658,471
Total Change in Net Assets	713,906	201,735	915,641
Net assets, beginning of year (restated)	1,680,467	5,162,291	6,842,758
Net Assets, End of Year	\$ 2,394,373	\$ 5,364,026	\$ 7,758,399

See accompanying notes.

GREATERGOOD.ORG

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted (Restated)	Temporarily Restricted (Restated)	Total
Operating Revenue and Other Support:			
Donations	\$ 1,458,997	\$ 3,631,082	\$ 5,090,079
Royalties	3,123,023		3,123,023
In-kind donations		27,972,150	27,972,150
Handling fees	786,799		786,799
Net assets released from restriction	29,451,465	(29,451,465)	
Total Operating Revenue and Other Support	34,820,284	2,151,767	36,972,051
Expenses:			
Program	33,702,945		33,702,945
Fundraising	347,766		347,766
Management and general	214,550		214,550
Total Expenses	34,265,261		34,265,261
Total Change in Net Assets	555,023	2,151,767	2,706,790
Net assets, beginning of year (restated)	1,125,444	3,010,524	4,135,968
Net Assets, End of Year (Restated)	\$ 1,680,467	\$ 5,162,291	\$ 6,842,758

See accompanying notes.

GREATERGOOD.ORG

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 915,641	\$ 2,706,790
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	10,777	6,765
Donation of long-term asset		
Donation of inventory	9,608	16,877
Changes in assets and liabilities:		
Accounts receivable	2,212,258	(2,489,138)
Prepaid expenses	(56,867)	137
Accounts payable and other current liabilities	(57,680)	208,406
Net Cash Provided by Operating Activities	<u>3,033,737</u>	<u>449,837</u>
Cash Flows From Investing Activities:		
Purchase of computer equipment and software	(68,651)	(4,241)
Net Cash Used by Investing Activities	<u>(68,651)</u>	<u>(4,241)</u>
Net Change in Cash and Cash Equivalents	2,965,086	445,596
Cash and cash equivalents, beginning of year	<u>1,290,046</u>	<u>844,450</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,255,132</u>	<u>\$ 1,290,046</u>
Supplementary Disclosure of Cash Flow Information:		
Donation of items held in inventory	\$ 326,885	\$ 336,493

See accompanying notes.

**Notes to Financial Statements
For the Years Ended June 30, 2017 and 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.

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, 2017 or 2016.

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, 2017 and 2016.

Notes to Financial Statements
For the Years Ended June 30, 2017 and 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, 2017, 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.

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. 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, 2017 and 2016, in-kind contributions were \$44,434,705 and \$27,972,150, respectively.

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).

Concentrations - For the years ended June 30, 2017 and 2016, 100% of the Organization's royalty revenues were from one donor.

For the year ended June 30, 2017, two donors comprised 72% of the Organization's in-kind donations. For the year ended June 30, 2016, four donors comprised 92% of the Organization's in-kind donations.

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.

Restatement - The 2016 financial statements have been restated to reflect certain transactions. Please see Note 6.

GREATERGOOD.ORG

Notes to Financial Statements For the Years Ended June 30, 2017 and 2016

Note 1 - Continued

Subsequent Events - The Organization's management has evaluated subsequent events through February 9, 2018, 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>2017</u>	<u>2016</u>
Vehicles	\$ 78,459	\$ 26,481
Computer equipment	17,706	4,241
Software development in progress	79,500	79,500
Fixtures and furniture	<u>3,208</u>	
Total equipment and software	178,873	110,222
Less accumulated depreciation	<u>(20,533)</u>	<u>(9,756)</u>
Total Equipment and Software, Net	<u>\$ 158,340</u>	<u>\$ 100,466</u>

Note 3 - Related Party Transactions

The Organization shared facilities, equipment, and staff support with CharityUSA.com during the years ended June 30, 2017 and 2016. 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, 2017 and 2016, the Organization issued checks totaling approximately \$2,831,000 and \$1,328,000, 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, 2017, 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, 2017, the Organization extended this royalty agreement through July 30, 2018. The Organization receives royalties from advertising on the website and royalties based on the sale of merchandise sold by CharityUSA.com. The Organization received approximately 1% and 8% of its total revenue from the royalty agreement with CharityUSA during the years ended June 30, 2017 and 2016, respectively.

During the years ended June 30, 2017 and 2016, the Organization received contributions of \$20,000 from one of its board members, and \$309,000 from two of its board members, respectively.

Note 4 - Lease Commitment

Effective September 1, 2015, the Organization entered into a two facility lease agreement for a term of 24 months expiring September 2017. These lease agreements call for monthly payments ranging from \$4,533 to \$4,761. Rent expense for the year ended June 30, 2017 totaled \$94,840. As of June 30, 2017, future minimum lease payments for the operating lease obligation total \$28,224 annually through 2019.

Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 5 - Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Breast cancer and women's health	\$ 399,442	\$ 321,209
Children's health and well being	38,690	
Literacy and children's education	397,279	477,930
Protecting/restoring environment		149,858
Rescued animals	<u>4,528,615</u>	<u>4,213,294</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,364,026</u>	<u>\$ 5,162,291</u>

Net assets totally \$49,672,496 and \$29,451,465 were released from restrictions during the years ended June 30, 2017 and 2016, respectively, by incurring expenses in satisfaction of donor restrictions.

Note 6 - Restatement

During 2017, management determined that several contributions received from various donors reflected in the financial statements in the year ended June 30, 2016 should have been recognized as temporarily restricted contributions. As a result, temporarily restricted net assets were understated by \$5,162,291. Management made a prior period adjustment to appropriately recognize the contributions during the year ended June 30, 2016.

The table below reflects the effects of the prior period adjustment on the financial statements as of and for the year ended June 30, 2016.

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Activities-			
Unrestricted donations	\$ 5,090,079	\$ (3,631,082)	\$ 1,458,997
Temporarily restricted donations		3,631,082	3,631,082
Unrestricted in-kind donations	27,972,150	(27,972,150)	
Temporarily restricted in-kind donations		27,972,150	27,972,150
Change in unrestricted net assets	2,706,790	(2,151,767)	555,023
Change in temporarily restricted net assets		2,151,767	2,151,767
Unrestricted net assets, beginning of year	4,135,968	(3,010,524)	1,125,444
Temporarily restricted net assets, beginning of year		3,010,524	3,010,524
Statement of Financial Position-			
Unrestricted net assets	6,842,758	(5,162,291)	1,680,467
Temporarily restricted net assets		5,162,291	5,162,291