

THE B TEAM HEADQUARTERS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2016 AND 2015

THE B TEAM HEADQUARTERS, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of December 31, 2016 and 2015	2
Statements of activities for the years ended December 31, 2016 and 2015	3
Statements of cash flows for the years ended December 31, 2016 and 2015	4
Statement of functional expenses for the year ended December 31, 2016 with comparative totals for 2015	5
Notes to financial statements	6 – 9



Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
The B Team Headquarters, Inc.

We have audited the accompanying financial statements of The B Team Headquarters, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 B Team Headquarters, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New York, NY
April 10, 2017

Skody Scot & Company, CPAs, P.C.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash	\$ 1,830,264	\$ 1,522,878
Program revenue and other receivables	36,885	-
Contributions receivable	333,334	319,763
Prepaid expenses	24,252	1,556
Security deposits	2,059	-
Total assets	\$ 2,226,794	\$ 1,844,197

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 154,392	\$ 129,954
Deferred revenue	1,024,752	500,000
Total liabilities	1,179,144	629,954
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	969,027	1,047,577
Temporarily restricted	78,623	166,666
Permanently restricted	-	-
Total net assets	1,047,650	1,214,243
Total liabilities and net assets	\$ 2,226,794	\$ 1,844,197

See accompanying notes to financial statements.

THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Support and Revenues:		
Unrestricted:		
Program service revenue	\$ -	\$ 1,206,668
Contributions	2,904,990	1,761,651
Direct support - subtotal	2,904,990	2,968,319
Contributions in-kind	222,395	402,242
Interest income	104	-
Other income	240	-
Release of prior year's restricted contributions	166,666	-
Temporarily restricted:		
Contributions	78,623	166,666
Release of prior year's restricted contributions	(166,666)	-
Total support and revenues	3,206,352	3,537,227
Expenses:		
Program services	2,581,060	1,914,382
Supporting services:		
Management and general	579,420	1,320,698
Fundraising	212,465	108,454
Total expenses	3,372,945	3,343,534
Increase/(Decrease) In Net Assets:		
Unrestricted	(78,550)	27,027
Temporarily restricted	(88,043)	166,666
Permanently restricted	-	-
Increase/(decrease) in net assets	(166,593)	193,693
Net assets, beginning of year	1,214,243	1,020,550
Net assets, end of year	\$ 1,047,650	\$ 1,214,243

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (166,593)	\$ 193,693
Adjustments for non-cash items included in operating activities	-	-
Changes in assets and liabilities:		
Program revenue and other receivables	(36,885)	-
Contributions receivable	(13,571)	186,431
Prepaid expenses	(22,696)	31,532
Security deposits	(2,059)	-
Accounts payable and accrued expenses	24,438	97,591
Deferred revenue	524,752	500,000
Net cash provided/(used) by operating activities	<u>307,386</u>	<u>1,009,247</u>
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	307,386	1,009,247
Cash at beginning of year	<u>1,522,878</u>	<u>513,631</u>
Cash at end of year	<u><u>\$ 1,830,264</u></u>	<u><u>\$ 1,522,878</u></u>

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

	2016			Total Expenses	2015
	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising		
Salaries	\$ 841,655	\$ 109,821	\$155,331	\$ 1,106,807	\$ 790,797
Payroll taxes and benefits	140,168	36,876	31,437	208,481	145,328
Board related costs	26,250	43,750	-	70,000	70,000
Board travel and meetings	2,990	16,784	-	19,774	50,722
Communications - advertising	-	-	-	-	135,726
Communications - production & design	110,505	13,953	1,610	126,068	159,854
Community development	12,000	7,471	2,809	22,280	41,702
Consultants & contractors	984,805	152,815	-	1,137,620	937,773
Event venue, travel & production	145,969	5,173	386	151,528	277,296
Insurance	-	11,697	-	11,697	11,722
Office supplies and expenses	10,220	48,217	343	58,780	41,881
Professional fees	-	62,721	-	62,721	57,941
Recruitment and training	911	1,787	-	2,698	40,597
Rent and utilities	58,846	12,870	11,400	83,116	85,253
Strategy development	15,000	-	-	15,000	257,826
Telephone and communications	15,832	11,882	928	28,642	31,698
Travel and meetings - other	215,909	43,603	8,221	267,733	207,418
Total expenses	<u>\$2,581,060</u>	<u>\$ 579,420</u>	<u>\$212,465</u>	<u>\$ 3,372,945</u>	<u>\$3,343,534</u>

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

The B Team Headquarters, Inc. (Organization), a not-for-profit organization, was incorporated in the State of Delaware on January 18, 2013. A fiscal sponsor relationship initially existed and is disclosed in Note 3. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from program service revenue and contributions.

The Organization's primary purpose is to catalyze a movement of business leaders driving a better way of doing business, for the well-being of people and the planet. The Organization is a global group of leaders working together to redefine the role business leaders play in accelerating just and sustainable development by focusing on meeting ten systemic challenges that will create transformative shifts in not only how, but also why, we do business.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less. At December 31, 2016 and 2015, the Organization did not have any resources that were considered cash equivalents.

**THE B TEAM HEADQUARTERS, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Revenues received from the fiscal sponsor are recorded as program service revenue. Any revenue received which has not been earned is recorded as deferred income.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Advertising Costs

The Organization uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2016 and 2015, advertising costs totaled \$0 and \$135,726, respectively.

**THE B TEAM HEADQUARTERS, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 2 - Commitments and Contingencies

The Organization maintains its bank accounts with financial institutions. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended December 31, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Institution balances	\$ 1,836,867	\$ 1,527,010
Less: Amounts covered	(250,000)	(250,000)
Uninsured amounts	\$ <u>1,586,867</u>	\$ <u>1,277,010</u>

Note 3 - Related Party and Fiscal Sponsor

Beginning in 2013, Virgin Unite, which was founded by one of The B Team Headquarters, Inc.'s co-chair, acted as The B Team Headquarters, Inc.'s fiscal sponsor. The fiscal sponsorship ended during the year ended December 31, 2014. During 2015, all remaining funds held by the fiscal sponsor were transferred to the Organization. Revenue received from Virgin Unite through the fiscal sponsor relationship is recorded as program service revenue and amounted to \$1,206,668 during 2015.

During both years ended December 31, 2016 and 2015, a board member of the Organization was paid \$70,000 as an honorarium.

Note 4 - Donated Services and Facilities

Significant services and facilities were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported on the accompanying statement of activities for the years ended December 31, 2016 and 2015 amounted to \$222,395 and \$402,242, respectively. Contributions in-kind that are included in the financial statements consisted of pro-bono strategy development, website development, various programmatic consulting work, free travel, event space, and catering.

Note 5 - Restrictions on Net Assets

Temporarily restricted net assets are available in future years for the following purposes:

	<u>2016</u>	<u>2015</u>
Net-Zero by 2050	\$ 78,623	\$ -
2016 activities	-	166,666

**THE B TEAM HEADQUARTERS, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Pension Plan

In 2014, the Organization adopted a qualified deferred compensation plan under section 403(b) of the Internal Revenue Code. Under the plan, employees may elect to defer up to twenty percent (20%) of their salary, subject to Internal Revenue Service limits. The plan calls for discretionary employer matching contributions and/or profit-sharing contributions. Employees are eligible for the plan on their first day of employment. Participants are automatically 100% vested in the salary reduction amounts contributed to the plan. Employer contributions to participant accounts vest over three years. During 2015 and 2016, the Organization did not contribute to the pension plan.

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through April 10, 2017, which is the date the financial statements were available to be issued.