

THE B TEAM HEADQUARTERS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017

THE B TEAM HEADQUARTERS, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of December 31, 2018 and 2017	2
Statements of activities for the years ended December 31, 2018 and 2017	3
Statements of cash flows for the years ended December 31, 2018 and 2017	4
Statement of expenses for the year ended December 31, 2018	5
Statement of expenses for the year ended December 31, 2017	6
Notes to financial statements	7 – 10



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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, 2018 and 2017, and the related statements of activities, cash flows, and 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, 2018 and 2017, 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 15, 2019

Skody Scot & Company, CPAs, P.C.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,680,329	\$ 1,579,791
Program revenue and other receivables	17,044	-
Contributions receivable	23,693	618,334
Prepaid expenses	17,616	20,999
Security deposits and other assets	4,224	4,224
 Total assets	 \$ 1,742,906	 \$ 2,223,348
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 159,761	\$ 419,892
Deferred revenue	714,835	971,128
Total liabilities	874,596	1,391,020
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	614,206	666,328
With donor restrictions	254,104	166,000
Total net assets/(deficit)	868,310	832,328
Total liabilities and net assets/(deficit)	\$ 1,742,906	\$ 2,223,348

See accompanying notes to the financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ 3,777,772	\$ 254,104	\$ 4,031,876	\$ 3,984,266	\$ 166,000	\$ 4,150,266
Contributions in-kind	642,922	-	642,922	274,139	-	274,139
Program service revenue	95,027	-	95,027	-	-	-
Interest income	1,019	-	1,019	391	-	391
Other income	-	-	-	1,600	-	1,600
Net assets released from restriction:						
Satisfaction of purpose restrictions	-	-	-	78,623	(78,623)	-
Expiration of time restrictions	166,000	(166,000)	-	-	-	-
Total net assets released from restriction	166,000	(166,000)	-	78,623	(78,623)	-
Total support and revenues	4,682,740	88,104	4,770,844	4,339,019	87,377	4,426,396
Expenses:						
Program services	3,612,768	-	3,612,768	3,603,055	-	3,603,055
Supporting services:						
Management and general	875,858	-	875,858	785,900	-	785,900
Fundraising	246,236	-	246,236	252,763	-	252,763
Total expenses	4,734,862	-	4,734,862	4,641,718	-	4,641,718
Increase/(Decrease) In Net Assets	(52,122)	88,104	35,982	(302,699)	87,377	(215,322)
Net assets, beginning of year	666,328	166,000	832,328	969,027	78,623	1,047,650
Net assets, end of year	<u>\$ 614,206</u>	<u>\$ 254,104</u>	<u>\$ 868,310</u>	<u>\$ 666,328</u>	<u>\$ 166,000</u>	<u>\$ 832,328</u>

See accompanying notes to the financial statements.

THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 35,982	\$ (215,322)
Adjustments for non-cash items included in operating activities	-	-
Changes in assets and liabilities:		
Program revenue and other receivables	(17,044)	36,885
Contributions receivable	594,641	(285,000)
Prepaid expenses	3,383	3,253
Security deposits and other assets	-	(2,165)
Accounts payable & accrued expenses	(260,131)	265,500
Deferred revenue	(256,293)	(53,624)
Net cash provided/(used) by operating activities	<u>100,538</u>	<u>(250,473)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	100,538	(250,473)
Cash and cash equivalents at beginning of year	<u>1,579,791</u>	<u>1,830,264</u>
Cash and cash equivalents at end of year	<u>\$ 1,680,329</u>	<u>\$ 1,579,791</u>

See accompanying notes to the financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Salaries	\$ 992,347	\$ 154,920	\$ 157,991	\$ 1,305,258
Payroll taxes and benefits	187,620	44,487	44,562	276,669
Board related costs	26,250	8,750	-	35,000
Communications - production & design	35,842	8,831	-	44,673
Community development	57,156	3,494	1,123	61,773
Consultants & contractors	1,065,327	136,594	-	1,201,921
Event venue, travel & production	265,268	70,405	4,635	340,308
Grants to affiliate	677,644	-	-	677,644
Insurance	4,874	11,242	120	16,236
Office supplies and expenses	3,759	90,628	439	94,826
Professional fees	710	45,943	-	46,653
Recruitment and training	967	47,026	-	47,993
Rent and utilities	60,695	45,395	13,550	119,640
Strategy development	56,281	-	-	56,281
Telephone and communications	7,215	10,233	3,510	20,958
Travel and meetings	170,813	31,243	20,306	222,362
Uncollectible receivables	-	166,667	-	166,667
Total expenses	\$ 3,612,768	\$ 875,858	\$ 246,236	\$ 4,734,862

See accompanying notes to the financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Salaries	\$ 1,049,939	\$ 62,140	\$ 179,908	\$ 1,291,987
Payroll taxes and benefits	196,297	8,825	44,333	249,455
Board related costs	52,500	17,500	-	70,000
Communications - production & design	169,533	9,078	1,176	179,787
Community development	25,805	515	3,170	29,490
Consultants & contractors	1,369,166	245,112	-	1,614,278
Event venue, travel & production	157,011	77,444	5,201	239,656
Grants to other organizations	170,000	-	-	170,000
Insurance	-	7,651	-	7,651
Office supplies and expenses	11,266	51,835	2,586	65,687
Professional fees	-	57,421	-	57,421
Recruitment and training	1,383	160,392	205	161,980
Rent and utilities	80,958	36,767	10,761	128,486
Strategy development	71,053	-	-	71,053
Telephone and communications	15,310	13,959	2,934	32,203
Travel and meetings	232,834	37,261	2,489	272,584
Total expenses	\$ 3,603,055	\$ 785,900	\$ 252,763	\$ 4,641,718

See accompanying notes to the 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. 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 2018, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the 2018 and 2017 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions (formerly unrestricted) and with donor restrictions (formerly temporarily restricted and permanently restricted). 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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

All 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 revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. 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 statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salary and related expenses, consultants and contractors, occupancy, and telephone, which are allocated on the basis of estimates of time and effort. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

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

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2018 and 2017:

	2018	2017
Checking	\$ 298,631	\$ 579,929
Money market funds	1,381,698	999,862
Total held	\$ 1,680,329	\$ 1,579,791

Note 3 - Concentrations

The Organization maintains its bank accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts exceeded the insured limits during the years ending December 31, 2018 and 2017.

Note 4 - Related Party

During the years ended December 31, 2018 and 2017, a board member of the Organization was paid \$35,000 and \$70,000, respectively, as an honorarium.

During the year ended December 31, 2018, the Organization made payments to or on behalf of an affiliated registered company in the United Kingdom totaling \$677,644.

Note 5 - 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 statements of activities for the years ended December 31, 2018 and 2017 amounted to \$642,922 and \$274,139, respectively. Contributions in-kind that are included in the financial statements consisted of various programmatic consulting work, free travel and accommodations, event space, and catering.

Note 6 - Net Assets With Donor Restrictions

As of December 31, 2018 and 2017, net assets with donor restrictions are available in future years for the following purposes:

	2018	2017
Net-Zero by 2050	\$ 93,384	\$ -
100% Human Network	160,720	-
2018 activities	-	166,000
Total restricted assets	\$ 254,104	\$ 166,000

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

Note 7 - 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 2018 and 2017, the Organization did not contribute to the pension plan.

Note 8 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. As part of the Organization's liquidity plan, the Board of Directors has set aside an operating reserve fund with the objective of having funds to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2018 and 2017, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$1,680,329	\$1,579,791
Receivables	<u>40,737</u>	<u>618,334</u>
Total financial assets	1,721,066	2,198,125
Less those unavailable for general expenditures within one year:		
Board-designated operating reserves	<u>(1,250,000)</u>	<u>(1,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 471,066</u>	<u>\$1,198,125</u>

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through April 15, 2019, which is the date the financial statements were available to be issued.