

THE B TEAM HEADQUARTERS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2015 AND 2014

THE B TEAM HEADQUARTERS, INC.

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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, 2015 and 2014, 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, 2015 and 2014, 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 28, 2016

Skody Scot & Company, CPAs, P.C.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Cash	\$ 1,522,878	\$ 513,631
Contributions receivable	319,763	506,194
Prepaid expenses	1,556	33,088
Total assets	\$ 1,844,197	\$ 1,052,913

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 129,954	\$ 32,363
Deferred revenue	500,000	-
Total liabilities	629,954	32,363
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,047,577	1,020,550
Temporarily restricted	166,666	-
Permanently restricted	-	-
Total net assets	1,214,243	1,020,550
Total liabilities and net assets	\$ 1,844,197	\$ 1,052,913

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Support and Revenues:		
Unrestricted:		
Program service revenue	\$1,206,668	\$1,013,890
Contributions	1,761,651	1,407,239
Direct support - subtotal	<u>2,968,319</u>	<u>2,421,129</u>
Contributions in-kind	402,242	1,582,449
Temporarily restricted:		
Contributions	<u>166,666</u>	-
Total support and revenues	<u>3,537,227</u>	<u>4,003,578</u>
Expenses:		
Program services	1,914,382	1,063,453
Supporting services:		
Management and general	1,320,698	1,891,053
Fundraising	<u>108,454</u>	<u>74,292</u>
Total expenses	<u>3,343,534</u>	<u>3,028,798</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	27,027	974,780
Temporarily restricted	166,666	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>193,693</u>	<u>974,780</u>
Net assets, beginning of year	<u>1,020,550</u>	<u>45,770</u>
Net assets, end of year	<u><u>\$1,214,243</u></u>	<u><u>\$1,020,550</u></u>

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 193,693	\$ 974,780
Adjustments for non-cash items included in operating activities	-	-
Changes in assets and liabilities:		
Contributions receivable	186,431	(506,194)
Prepaid expenses	31,532	(33,088)
Accounts payable and accrued expenses	97,591	32,363
Deferred revenue	500,000	-
Net cash provided/(used) by operating activities	<u>1,009,247</u>	<u>467,861</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	1,009,247	467,861
Cash at beginning of year	<u>513,631</u>	<u>45,770</u>
Cash at end of year	<u><u>\$1,522,878</u></u>	<u><u>\$ 513,631</u></u>

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	2015			Total Expenses	2014
	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising		
Salaries	\$ 326,771	\$ 384,526	\$ 79,500	\$ 790,797	\$ 596,869
Payroll taxes and benefits	62,032	72,573	10,723	145,328	134,577
Board related costs	-	70,000	-	70,000	80,320
Board travel and meetings	8,959	41,763	-	50,722	-
Communications - advertising	135,631	95	-	135,726	-
Communications - production & design	97,092	60,973	1,789	159,854	75,845
Community development	20,250	20,462	990	41,702	36,000
Consultants & contractors	640,337	297,436	-	937,773	566,817
Event venue, travel & production	169,429	107,680	187	277,296	23,372
Insurance	-	11,722	-	11,722	11,619
Office supplies and expenses	5,984	35,777	120	41,881	21,099
Professional fees	-	57,941	-	57,941	27,140
Recruitment and training	39,058	1,539	-	40,597	21,922
Rent and utilities	51,566	25,062	8,625	85,253	54,300
Strategy development	200,000	57,826	-	257,826	1,258,119
Telephone and communications	20,674	9,228	1,796	31,698	13,529
Travel and meetings - other	136,599	66,095	4,724	207,418	107,270
Total expenses	<u>\$1,914,382</u>	<u>\$ 1,320,698</u>	<u>\$108,454</u>	<u>\$ 3,343,534</u>	<u>\$3,028,798</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, 2015 and 2014, 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, 2015 and 2014, advertising costs totaled \$135,726 and \$0, 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, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Institution balances	\$ 1,527,010	\$ 513,631
Less: Amounts covered	(250,000)	(250,000)
Uninsured amounts	\$ <u>1,277,010</u>	\$ <u>263,631</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 and \$1,013,890 during 2014.

During both years ended December 31, 2015 and 2014, 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, 2015 and 2014 amounted to \$402,242 and \$1,582,449, respectively. Contributions in-kind that are included in the financial statements consisted of pro-bono legal services, strategy development, fiscal sponsor staff time, free travel, and event space.

Note 5 - Restrictions on Net Assets

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

	<u>2015</u>	<u>2014</u>
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 2014 and 2015, the Organization did not contribute to the pension plan.

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through April 28, 2016, which is the date the financial statements were available to be issued.