

THE B TEAM HEADQUARTERS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 19, 2018

Skody Scot & Company, CPAs, P.C.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash	\$ 1,579,791	\$ 1,830,264
Program revenue and other receivables	-	36,885
Contributions receivable	618,334	333,334
Prepaid expenses	20,999	24,252
Security deposits and other assets	4,224	2,059
	\$ 2,223,348	\$ 2,226,794

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 419,892	\$ 154,392
Deferred revenue	971,128	1,024,752
	1,391,020	1,179,144
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	666,328	969,027
Temporarily restricted	166,000	78,623
Permanently restricted	-	-
	832,328	1,047,650
	\$ 2,223,348	\$ 2,226,794

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Support and Revenues:		
Unrestricted:		
Contributions	\$3,984,266	\$2,904,990
Contributions in-kind	274,139	222,395
Interest income	391	104
Other income	1,600	240
Release of prior year's restricted contributions	78,623	166,666
Temporarily restricted:		
Contributions	166,000	78,623
Release of prior year's restricted contributions	(78,623)	(166,666)
Total support and revenues	4,426,396	3,206,352
Expenses:		
Program services	3,603,055	2,581,060
Supporting services:		
Management and general	785,900	579,420
Fundraising	252,763	212,465
Total expenses	4,641,718	3,372,945
Increase/(Decrease) In Net Assets:		
Unrestricted	(302,699)	(78,550)
Temporarily restricted	87,377	(88,043)
Permanently restricted	-	-
Increase/(decrease) in net assets	(215,322)	(166,593)
Net assets, beginning of year	1,047,650	1,214,243
Net assets, end of year	\$ 832,328	\$ 1,047,650

See accompanying notes to financial statements.

THE B TEAM HEADQUARTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (215,322)	\$ (166,593)
Adjustments for non-cash items included in operating activities	-	-
Changes in assets and liabilities:		
Program revenue and other receivables	36,885	(36,885)
Contributions receivable	(285,000)	(13,571)
Prepaid expenses	3,253	(22,696)
Security deposits and other assets	(2,165)	(2,059)
Accounts payable and accrued expenses	265,500	24,438
Deferred revenue	(53,624)	524,752
Net cash provided/(used) by operating activities	<u>(250,473)</u>	<u>307,386</u>
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	(250,473)	307,386
Cash at beginning of year	<u>1,830,264</u>	<u>1,522,878</u>
Cash at end of year	<u><u>\$ 1,579,791</u></u>	<u><u>\$ 1,830,264</u></u>

See accompanying notes to financial statements.

**THE B TEAM HEADQUARTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	2017			2016	
	Program Services	Supporting Services Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 1,049,939	\$ 62,140	\$ 179,908	\$ 1,291,987	\$ 1,106,807
Payroll taxes and benefits	196,297	8,825	44,333	249,455	208,481
Board related costs	52,500	17,500	-	70,000	70,000
Board travel and meetings	12,892	8,141	23	21,056	19,774
Communications - production & design	169,533	9,078	1,176	179,787	126,068
Community development	25,805	515	3,170	29,490	22,280
Consultants & contractors	1,369,166	245,112	-	1,614,278	1,137,620
Event venue, travel & production	157,011	77,444	5,201	239,656	151,528
Grants to other organizations	170,000	-	-	170,000	-
Insurance	-	7,651	-	7,651	11,697
Office supplies and expenses	11,266	51,835	2,586	65,687	58,780
Professional fees	-	57,421	-	57,421	62,721
Recruitment and training	1,383	160,392	205	161,980	2,698
Rent and utilities	80,958	36,767	10,761	128,486	83,116
Strategy development	71,053	-	-	71,053	15,000
Telephone and communications	15,310	13,959	2,934	32,203	28,642
Travel and meetings - other	219,942	29,120	2,466	251,528	267,733
Total expenses	<u>\$ 3,603,055</u>	<u>\$ 785,900</u>	<u>\$ 252,763</u>	<u>\$ 4,641,718</u>	<u>\$ 3,372,945</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. 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.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - 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 may have exceeded the insured limits during the years ending December 31, 2017 and 2016.

Note 3 - Related Party

During both years ended December 31, 2017 and 2016, a board member of the Organization was paid \$70,000 as an honorarium.

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

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 statements of activities for the years ended December 31, 2017 and 2016 amounted to \$274,139 and \$222,395, respectively. Contributions in-kind that are included in the financial statements consisted of various programmatic consulting work, website development, free travel and accommodations, event space, and catering.

Note 5 - Restrictions on Net Assets

As of December 31, 2017 and 2016, temporarily restricted net assets are available in future years for the following purposes:

	2017	2016
Net-Zero by 2050	\$ -	\$ 78,623
2018 activities	166,000	-
Total restricted assets	\$ 166,000	\$ 78,623

In September 2017, the board of directors designated up to \$1,000,000 as an operating reserve fund.

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 2017 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 19, 2018, which is the date the financial statements were available to be issued.