



GOODS FOR THE GREATER GOOD™

Financial Statements

For the Years Ended December 31, 2014 and 2013



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
GOOD360

Report on the Financial Statements

We have audited the accompanying financial statements of GOOD360, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows 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 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 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 GOOD360 as of December 31, 2014 and 2013, 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.

Correction of Error

As discussed in Note 12 to the financial statements, certain errors resulting in an understatement of amounts previously reported as net assets released from restriction as of December 31, 2013 and 2012, were discovered by management of GOOD360 during the current year. Accordingly, amounts reported for beginning of year unrestricted and temporarily restricted net assets have been restated in the 2014 financial statements now presented, and an adjustment has been made to the temporarily restricted net assets released from restriction for the year ended December 31, 2013, to correct the errors. Our opinion is not modified with respect to this matter.

Raffa, P.C.

Raffa, P.C.

Washington, DC
June 30, 2015

GOOD360
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 257,633	\$ 148,975
Contributions and other receivables	257,858	193,545
Contributions receivable – product inventory	150,461	630,412
Prepaid expenses	61,697	31,000
Product inventory	8,120,043	5,783,646
Product inventory held for others	-	781,883
Total Current Assets	8,847,692	7,569,461
Deposits	68,630	68,630
Property and equipment, net	1,056,546	784,742
TOTAL ASSETS	\$ 9,972,868	\$ 8,422,833
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 726,799	\$ 707,108
Accrued expenses	614,505	976,816
Deferred registration fees	614,953	454,721
Refundable advance	90,000	-
Line of credit	800,000	800,000
Notes payable, current portion	142,857	142,857
Deferred rent and lease incentive, current portion	92,154	79,381
Product inventory held for others	-	781,883
Total Current Liabilities	3,081,268	3,942,766
Notes payable, net of current portion	535,714	678,572
Deferred rent and lease incentive, net of current portion	874,638	942,866
TOTAL LIABILITIES	4,491,620	5,564,204
Net Assets		
Unrestricted	5,203,563	2,521,479
Temporarily restricted	277,685	337,150
TOTAL NET ASSETS	5,481,248	2,858,629
TOTAL LIABILITIES AND NET ASSETS	\$ 9,972,868	\$ 8,422,833

The accompanying notes are an integral part of these financial statements.

GOOD360
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	2014					2013				
	Unrestricted			Temporarily Restricted	Total	Unrestricted			Temporarily Restricted	Total
	Operations	In-Kind Product	Total			Operations	In-Kind Product	Total		
SUPPORT AND REVENUE										
Product inventory and equipment contributions	\$ -	\$ 306,700,369	\$ 306,700,369	\$ -	\$ 306,700,369	\$ -	\$ 303,573,946	\$ 303,573,946	\$ -	\$ 303,573,946
Shipping and handling fees	4,418,803	-	4,418,803	-	4,418,803	4,156,811	-	4,156,811	-	4,156,811
Grants, contracts and contributions	1,402,225	-	1,402,225	1,019,266	2,421,491	1,383,553	-	1,383,553	775,830	2,159,383
Donated services	181,955	-	181,955	-	181,955	194,997	-	194,997	-	194,997
Registration fees	76,308	-	76,308	-	76,308	73,564	-	73,564	-	73,564
Other income	913,991	-	913,991	-	913,991	51,082	-	51,082	-	51,082
Net assets released from restrictions:										
Satisfaction of program restrictions	1,078,731	-	1,078,731	(1,078,731)	-	1,326,329	-	1,326,329	(1,326,329)	-
TOTAL SUPPORT AND REVENUE	8,072,013	306,700,369	314,772,382	(59,465)	314,712,917	7,186,336	303,573,946	310,760,282	(550,499)	310,209,783
EXPENSES										
Program Services:										
Product distribution program	4,304,687	304,843,923	309,148,610	-	309,148,610	4,152,748	315,590,270	319,743,018	-	319,743,018
Total Program Services	4,304,687	304,843,923	309,148,610	-	309,148,610	4,152,748	315,590,270	319,743,018	-	319,743,018
Supporting Services:										
Management and general	2,439,196	-	2,439,196	-	2,439,196	2,348,693	-	2,348,693	-	2,348,693
Marketing and fundraising	502,492	-	502,492	-	502,492	804,770	-	804,770	-	804,770
Total Supporting Services	2,941,688	-	2,941,688	-	2,941,688	3,153,463	-	3,153,463	-	3,153,463
TOTAL EXPENSES	7,246,375	304,843,923	312,090,298	-	312,090,298	7,306,211	315,590,270	322,896,481	-	322,896,481
CHANGE IN NET ASSETS	825,638	1,856,446	2,682,084	(59,465)	2,622,619	(119,875)	(12,016,324)	(12,136,199)	(550,499)	(12,686,698)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	(3,892,579)	6,414,058	2,521,479	337,150	2,858,629	(3,772,704)	18,430,382	14,657,678	887,649	15,545,327
NET ASSETS, END OF YEAR	\$ (3,066,941)	\$ 8,270,504	\$ 5,203,563	\$ 277,685	\$ 5,481,248	\$ (3,892,579)	\$ 6,414,058	\$ 2,521,479	\$ 337,150	\$ 2,858,629

The accompanying notes are an integral part of these financial statements.

GOOD360

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Program Services	Supporting Services			Total Expenses
	Product Distribution	Management and General	Marketing and Fundraising	Total	
Product inventory distributions	\$ 304,843,923	\$ -	\$ -	\$ -	\$ 304,843,923
Salaries and other personnel costs	1,438,161	1,374,312	303,245	1,677,557	3,115,718
Logistics	1,844,091	-	-	-	1,844,091
Computer information systems	304,970	280,140	64,305	344,445	649,415
Rent	170,493	156,611	35,949	192,560	363,053
Travel	88,052	80,883	18,566	99,449	187,501
Depreciation and amortization	87,485	80,362	18,447	98,809	186,294
Donated services	85,447	78,490	18,017	96,507	181,954
Professional fees	15,655	117,151	3,301	120,452	136,107
Bank fees	133,595	-	-	-	133,595
Miscellaneous expenses	6,267	56,750	13,027	69,777	76,044
Marketing, printing and supplies	44,996	41,332	9,612	50,944	95,940
Interest expense	-	94,649	-	94,649	94,649
Conferences and meetings	25,442	23,371	5,365	28,736	54,178
Contractual services and fees	20,759	19,069	4,377	23,446	44,205
Dues and subscriptions	14,297	13,133	3,015	16,148	30,445
Telephone and fax	13,021	11,961	2,745	14,706	27,727
Equipment rental and maintenance	10,889	10,002	2,296	12,298	23,187
Postage	1,067	980	225	1,205	2,272
TOTAL	<u>\$ 309,148,610</u>	<u>\$ 2,439,196</u>	<u>\$ 502,492</u>	<u>\$ 2,941,688</u>	<u>\$ 312,090,298</u>

The accompanying notes are an integral part of these financial statements.

GOOD360

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program Services	Supporting Services			Total Expenses
	Product Distribution	Management and General	Marketing and Fundraising	Total	
Product inventory distributions	\$ 315,590,270	\$ -	\$ -	\$ -	\$ 315,590,270
Salaries and other personnel costs	1,407,210	1,294,067	480,856	1,774,923	3,182,133
Logistics	1,690,864	-	-	-	1,690,864
Computer information systems	246,231	226,433	84,139	310,572	556,803
Miscellaneous expenses	170,746	157,018	58,345	215,363	386,109
Rent	152,922	140,627	52,255	192,882	345,804
Depreciation and amortization	102,720	94,461	35,100	129,561	232,281
Donated services	86,232	79,299	29,466	108,765	194,997
Travel	71,010	65,301	24,265	89,566	160,576
Bank fees	106,751	-	-	-	106,751
Interest expense	-	103,389	-	103,389	103,389
Professional fees	7,229	86,173	2,470	88,643	95,872
Equipment rental and maintenance	31,622	29,080	10,806	39,886	71,508
Dues and subscriptions	22,474	20,667	7,680	28,347	50,821
Contractual services and fees	21,958	20,193	7,504	27,697	49,655
Conferences and meetings	11,503	10,578	3,931	14,509	26,012
Telephone and fax	9,353	8,602	3,196	11,798	21,151
Marketing, printing and supplies	7,121	6,549	2,433	8,982	16,103
Bad debt expense	4,561	4,194	1,558	5,752	10,313
Postage	2,241	2,062	766	2,828	5,069
TOTAL	<u>\$ 319,743,018</u>	<u>\$ 2,348,693</u>	<u>\$ 804,770</u>	<u>\$ 3,153,463</u>	<u>\$ 322,896,481</u>

The accompanying notes are an integral part of these financial statements.

GOOD360

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013
Increase (Decrease) in Cash and Cash Equivalents

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,622,619	\$ (12,686,698)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	186,294	232,281
Changes in assets and liabilities:		
Contributions and other receivables	(64,313)	443,192
Contributions receivable – product inventory	479,951	8,817,612
Prepaid expenses	(30,697)	2,922
Product inventory	(2,336,397)	3,198,712
Deposits	-	-
Accounts payable	19,691	(83,942)
Accrued expenses	(362,311)	398,245
Deferred registration fees	160,232	36,084
Deferred rent and lease incentive	(55,455)	(60,565)
Refundable advance	90,000	-
	709,614	297,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(458,098)	(170,689)
	(458,098)	(170,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	-	300,000
Repayments on line of credit	-	(200,000)
Repayments on notes payable	(142,858)	(142,857)
	(142,858)	(42,857)
NET INCREASE IN CASH AND CASH EQUIVALENTS	108,658	84,297
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	148,975	64,678
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 257,633	\$ 148,975
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 94,649	\$ 103,389

The accompanying notes are an integral part of these financial statements.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies

Organization

GOOD360 is an international nonprofit that works with companies, charities and individuals to make the business of giving simpler, more efficient and more effective. The Alexandria, Virginia-based organization was created in 1983 to help companies efficiently donate slow-moving, obsolete and seasonal inventory to charitable organizations. These donated products, including new, nonperishable goods such as apparel, books, toys, personal care products, office and school supplies, computers and much more are distributed to GOOD360's prevetted nonprofit network encompassing about 40,000 organizations. Today, GOOD360 is changing the face of philanthropy by creating a circle of good that allows companies, nonprofits and individuals to work together to do more social good. GOOD360 is accomplishing this through innovation and technology such as its GivingPlace technology platform and the launch of its Disaster Recovery360 platform (planned for 2015). GOOD360 has been recognized by the Committee Encouraging Corporate Philanthropy, Verizon's Powerful Answers Award and Forbes for its excellence, innovation and efficiency, respectively, in helping all of its partners do good, better.

Basis of Accounting

The financial statements of GOOD360 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

GOOD360 considers all cash and certificates of deposits, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

Contributions Receivable

Contributions receivable are unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. Management considers all promises to give to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Contributions Receivable – Product Inventory

Inventory receivable consists of unconditional promises to give of product inventory that are expected to be received within three months or less and are recorded at estimated retail value, which approximates fair value. GOOD360 does not accept or record inventory receivables that are expected to be collected in greater than one year. Management considers all promises to give of product inventory to be fully collectible; therefore, no allowance for doubtful accounts has been established.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Product Inventory

Product inventory consists of donated goods and is recorded at estimated retail value, which approximates fair value. Product inventory includes items on hand at various warehouses, including approximately \$4,455,500 in product held at the warehouses of the donors, that have not been distributed to the ultimate recipients but are under the control of GOOD360. As the donated product inventory is shipped, it is released from inventory and reported as product inventory distributions in the accompanying statements of functional expenses. Management periodically adjusts the value for slow-moving or obsolete inventory. The distribution of the product inventory is based on the specific identification method.

Product Inventory Held for Others

GOOD360 is the recipient of product and equipment inventory from various outside organizations. That product and equipment inventory is to be used exclusively for project objectives and distributions, as directed and approved by a third party. Although GOOD360 is an integral part of distributing the donor-directed product donations by coordinating, arranging and monitoring their distribution, GOOD360 does not select the recipients. Therefore, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-15, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, these transactions are considered agency transactions, and are not included in product contribution revenue and product inventory distributions in the accompanying financial statements. However, GOOD360 receives funding from the donors to offset the administrative expenses incurred from these agency transactions. This funding is included in grants, contracts and contributions revenue in the accompanying statements of activities. GOOD360 was hired by the third parties because of its expertise in handling and distributing the product donations. This program was discontinued during the year ended December 31, 2014, and any undistributed goods were contributed to GOOD360 to be distributed to nonprofits as part of its programs.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost, or if donated, such assets are capitalized at the estimated fair value at the date of receipt. GOOD360 capitalizes all expenditures for property and equipment over \$2,000. Office equipment and office furniture are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Costs incurred in the development of software for internal use are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application and development stage are capitalized. Software is amortized using the straight-line method over three to five years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income or expense in the accompanying statements of activities. Major additions are capitalized while replacements, and maintenance and repairs that do not improve or extend the lives of the respective assets, are expensed as incurred.

Continued

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Deferred Registration Fees

Deferred registration fees represent advance payments of annual fees to participate in the Retail Donation Program and are recognized as revenue in the year to which the fee relates.

Classification of Net Assets

GOOD360's net assets are reported as follows:

- Unrestricted net assets are available for use in general operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

Product contributions are recorded at the estimated retail value at the date of donation, which approximates fair value. Retail value of the items donated is determined based on management's best estimate using information provided by donors and other third parties. All donated inventory is considered unrestricted support.

Under the Retail Donation Program, participating charities collect items from individual locations of participating donors at a predetermined interval. The participating charities collect items in retail quantities; accordingly, the product inventory and equipment contributions and the related product distributions are recorded in the accompanying statements of activities at the estimated retail value, as discussed above. The registration fees that are collected to participate in the program are recognized over the term of the subscription.

GOOD360 charges charities receiving product via the online product portal a set fee based on the quantity ordered to cover costs associated with shipping and handling. These fees are recognized when the sales order is placed.

Grants, contracts and contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. GOOD360 reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the accompanying statements of activities as net assets released from restrictions.

Revenue recognized on grants, contracts and contributions that have been committed to GOOD360, but have not been received, is reported as contributions and other receivables in the accompanying statements of financial position.

GOOD360 recognizes donated services if the services received create or enhance nonfinancial assets or if the services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

GOOD360 recognizes other income as revenue that does not fit in the above-mentioned categories. Other income consists primarily of award funds received from the Verizon's Powerful Answers Award and rental income for subleased office space. Other income is recorded when earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated proportionately among the program and supporting services to which they relate on the basis of direct labor costs.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Business Matters

Over the past few years, GOOD360's management team has worked to improve the operations and activities of GOOD360 to increase cash balances and reduce the operating losses that it has faced. This process started several years ago when a new CEO joined GOOD360 and the Board of Directors and management team was restructured. In 2014, GOOD360 started to see the positive effects of this restructuring, due to the following initiatives in place in 2014:

- Managing its operating expenses through various efficiency measures such as:
 - Personnel re-organization and re-assignments
 - Implementing new accounting software as well as a new technology platform that will automate many current manual processes
 - Rightsizing its benefit package to reflect the market
 - Renegotiating key vendor contracts such as transportation, financing and leasing
- Increasing its service fees by performing the following:
 - Completion of Phase II of information technology development that will connect individuals with nonprofits with specific causes and create charity wish lists enabling crowdfunding
 - Increasing staff dedicated to donation intake, grants and fundraising

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

2. Business Matters (continued)

- Improving the skill set of its online marketing team to enhance and take advantage of its online sales portal
- GOOD360 continues to explore strategic opportunities and partnerships, such as leveraging our investment in technology for franchise opportunities
- In addition, in early 2014, GOOD360 was named as a recipient of the Verizon Powerful Answers Award for organizations that show what happens when the passion of technology entrepreneurs meet the power of our mobile and broadband networks. As part of this award, GOOD360 received \$850,000. In addition, as a recipient of the award, GOOD360 gained access to a variety of network, business development and marketing experts across Verizon to explore ongoing collaborations. This award, along with efforts from GOOD360's Board of Directors, has helped to connect GOOD360 to new donors, which has resulted in new grant awards to GOOD360.

These initiatives continued through the first two quarters of 2015, as GOOD360 continues to perform the following:

- GOOD360 has kept personnel and benefits in line with the market as well as ensuring that the correct skill set is aligned with each specific function.
 - An Executive Vice President of Business Development was hired in late 2014 to help GOOD360 increase its corporate relationships.
 - GOOD360 now has a donor facing account management team that is tasked with increasing high-need donated products.
- GOOD360 has fully integrated its financial and technology platform, automating many previously manual functions.
 - This integration includes enhancements in GOOD360's e-commerce platform enabling GOOD360 to more effectively market to its over 40,000 members.
 - GOOD360 has launched its Phase II technology which, among other features, allows nonprofits to crowdfund and provide impact stories, allows donors to view their direct impact and affords transparency of donations.
- GOOD360 was able to significantly reduce future cash payments related to its office space, as discussed in Note 6. This will allow GOOD360 to continue to invest in technology platforms that have helped GOOD360 operate more efficiently.
- GOOD360 continues to explore strategic opportunities and partnerships. GOOD360 launched its first franchise with GOOD360 Australia and received several large grant awards for continuing disaster recovery work.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

2. Business Matters (continued)

- Management is currently in negotiations with the financial institution that holds GOOD360's note payable and line of credit. Management and the bank have proposed a modification to the current term loan whereby \$400,000 of the existing line of credit, subject to formal credit approval, will be amortized to the existing term loan. The proposed new line of credit amount will be \$400,000; both the line of credit and the modified term loan will be subject to a new borrowing base certificate formula.

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Software	\$ 1,126,275	\$ 670,726
Leasehold improvements	751,453	748,904
Office equipment	371,561	371,561
Office furniture	<u>85,261</u>	<u>85,261</u>
Total Property and Equipment	2,334,550	1,876,452
Less: Accumulated Depreciation and Amortization	<u>(1,278,004)</u>	<u>(1,091,710)</u>
Property and Equipment, Net	<u>\$ 1,056,546</u>	<u>\$ 784,742</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013, was \$186,294 and \$232,281, respectively.

4. Line of Credit

On August 8, 2012, GOOD360 entered into an \$800,000 revolving line of credit with a financial institution that is subject to annual renewal and which was renewed on April 30, 2014, to extend the expiration date through June 1, 2015. Subsequent to year-end, the expiration date was extended to August 1, 2015. The line of credit requires monthly interest payments. Interest accrues at a variable interest rate equal to the Wall Street Journal's published prime rate, plus 1%, with a 6% rate floor (6% at December 31, 2014 and 2013). The revolving line of credit is collateralized by all product inventory, receivables and property and equipment. As of December 31, 2014 and 2013, \$800,000 was outstanding on this line of credit.

Interest expense related to the line of credit was \$48,667 and \$48,717 for the years ended December 31, 2014 and 2013, respectively.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

5. Notes Payable

On August 8, 2012, GOOD360 refinanced two prior notes into a \$1,000,000 term note. The term note's monthly interest and principal payments commenced on October 1, 2012, and is scheduled to mature on August 1, 2017, with a final interest and principal payment of \$311,123. The term note bears interest at a fixed rate of 6%. The term note is collateralized by GOOD360's product inventory, receivables, and property and equipment. The note payable has various covenants; of these, GOOD360 was not in full compliance with certain reporting covenants as of December 31, 2014. GOOD360 received a waiver for these covenants from the financial institution.

Annual maturities of this note payable are as follows:

For the Year Ending December 31,	
2015	\$ 142,857
2016	142,857
2017	<u>392,857</u>
Total	678,571
Less: Current Portion	<u>(142,857)</u>
Notes Payable, Net of Current Portion	<u>\$ 535,714</u>

Interest expense incurred under this note was \$45,982 and \$54,672, respectively, for the years ended December 31, 2014 and 2013.

6. Commitments

Operating Leases

Due to organizational restructuring over the past few years, GOOD360 was left with a significant amount of unused office space. To minimize the costs associated with the unused office space, GOOD360 subleased its original office space to MindPoint Group (referred to as MindPoint) and entered into a new lease agreement for new office space with Saul Holdings Limited Partnership (Saul Limited) to begin subsequent to year-end on February 1, 2015. In the sublease, MindPoint agreed to assume all conditions of the original lease and took the existing leasehold improvements and furniture in the office space it is assuming.

The terms of the leases and subleases are described below:

(a) Operating Lease for New Office Space at 675 North Washington Street

In January 2015, GOOD360 entered into a new noncancelable operating lease with Saul Limited for office space located at 675 North Washington Street in Alexandria, Virginia. The lease is set to expire in April 2024. The lease includes certain incentives and an

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

6. Commitments (continued)

Operating Leases (continued)

(a) Operating Lease for New Office Space at 675 North Washington Street (continued)

annual escalation clause. In addition, Saul Limited has, at no charge, allotted GOOD360 a temporary office space while the construction for the new office space is completed from February 2015 through April 2015. Saul Limited issued GOOD360 an eight-month abatement commencing on May 1, 2015. The future minimum lease payments owed by GOOD360 under this lease are as follows:

For the Years Ending December 31,	
2015	\$ -
2016	171,059
2017	175,763
2018	180,596
2019	185,563
Thereafter	<u>864,267</u>
Total	<u>\$ 1,577,248</u>

(b) Exit of Original Leased Office Space – 1330 Braddock Road

In April 2011, GOOD360 entered into a noncancelable operating lease for office space that expires on December 31, 2021. The lease includes certain incentives and an annual escalation clause. In addition, GOOD360 was provided an allowance for tenant improvements of \$816,984. Of this amount, \$748,904 was utilized to purchase leasehold improvements and the remaining \$68,080 was applied to the security deposit for the office space. Under GAAP, lease incentives and all rental payments, including fixed rent increases, are amortized over the life of the lease on a straight-line basis as a reduction to rent expense. The difference between the GAAP rent expense and the required lease payment is reflected as deferred rent in the accompanying statements of financial position.

Beginning in February 2015, GOOD360 entered into a noncancelable sublease agreement with MindPoint, an independent third party, to sublease the office space, located on 1330 Braddock Road in Alexandria, Virginia. The agreement expires in December 2021. If MindPoint were to default on the sublease agreement at any time, GOOD360 would continue to be responsible for the total amount due under its lease. The sublease includes yearly rental increases and requires a security deposit in the amount of \$30,259.

In addition, GOOD360 leases certain furniture and equipment under noncancelable operating leases that expire at various times through 2016.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2014 and 2013

6. Commitments (continued)

Operating Leases (continued)

(b) Exit of Original Leased Office Space – 1330 Braddock Road (continued)

As of December 31, 2014, future minimum rental payments required under the operating leases, net of sublease income, are as follows:

<u>For the Years Ending December 31,</u>	<u>Lease Payments</u>	<u>Sublease Income</u>	<u>Net</u>
2015	\$ 456,025	\$ (272,328)	\$ 183,697
2016	455,960	(313,480)	142,480
2017	468,599	(310,284)	158,315
2018	482,637	(390,115)	92,522
2019	497,063	(423,419)	73,644
Thereafter	<u>1,039,288</u>	<u>(860,039)</u>	<u>179,249</u>
Total	<u>\$ 3,399,572</u>	<u>\$ (2,569,665)</u>	<u>\$ 829,907</u>

At the onset of the sublease to MindPoint, GOOD360 wrote off the leasehold incentives related to the office space at 1330 Braddock Road in Alexandria, Virginia, as they will not be used by GOOD360 anymore. Rent expense and sublease rental income, adjusted for lease incentives, is recognized on a straight-line basis over the term of each lease. The net difference between the total straight-line rental expense and the total straight-line rental income resulted in a loss of approximately \$290,000, which will be recognized in February 2015.

Rent expense for the years ended December 31, 2014 and 2013, was \$363,053 and \$345,804, respectively.

7. Concentrations and Risks

Concentration

For the years ended December 31, 2014 and 2013, GOOD360 received product inventory and equipment contributions of \$173,179,512 and \$152,482,067, respectively, through the retail donation program from one donor, which was approximately 55% and 49% of GOOD360's total support and revenue each year.

Credit Risk

Financial instruments, which potentially subject GOOD360 to concentration of credit risk, consist principally of cash balances maintained at various creditworthy financial institutions. While the amount at a given bank at times exceeds the amount guaranteed by the Federal

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

7. Concentrations and Risks (continued)

Credit Risk (continued)

Deposit Insurance Corporation, and therefore, bears some risk, GOOD360 has not experienced, nor does it anticipate, any losses on its funds. As of December 31, 2014, the amount in excess of the insured limit of \$250,000 totaled approximately \$45,000. There were no funds in excess of the insured limit at December 31, 2013.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$277,685 and \$337,150 are restricted by purpose for specific product distribution programs as of December 31, 2014 and 2013, respectively.

9. Donated Services

GOOD360 received various kinds of donated services for the years ended December 31, 2014 and 2013. These donated services related primarily to marketing, legal and shipping activities and amounted to \$181,955 and \$194,997, respectively.

10. Pension Plan

GOOD360 sponsors a contributory, defined contribution pension plan (the Plan), which operates under Section 403(b) of the Internal Revenue Code (IRC), covering all employees who have completed one year of service and have at least 1,000 hours of service. GOOD360's employer contributions to the Plan are discretionary. The Plan allows for employee contributions not to exceed federal contribution rates. GOOD360 did not make any contributions to the Plan for the years ended December 31, 2014 and 2013.

11. Income Taxes

Under Section 501(c)(3) of the IRC, GOOD360 is a nonprofit public charity and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of December 31, 2014 and 2013, as GOOD360 had no taxable net unrelated business income.

GOOD360 follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. GOOD360 has evaluated its income tax positions for the years ended December 31, 2014 and 2013, and determined that it has no material uncertain tax positions, and accordingly, GOOD360 has not

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2014 and 2013

11. Income Taxes (continued)

recognized any liability for unrecognized income tax. The statute of limitations for tax years 2011 through 2013 remains open in the major U.S. jurisdictions in which GOOD360 is subject to taxation. GOOD360's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2014 and 2013, GOOD360 had no accrual for interest and/or penalties.

12. Prior Period Adjustment

During the 2014 financial close process, GOOD360 determined that the expenses incurred under various grants had not been properly coded to the grants, and although many of the grants had been closed with the grantors, there was still an ending temporarily restricted net asset balance under these grants. As a result, during the year ended December 31, 2014, GOOD360 restated its temporarily restricted net asset balances as of December 31, 2013 and 2012, to properly record net assets released from restriction. Accordingly, an adjustment was made to decrease temporarily restricted net assets and increase unrestricted net assets by \$1,124,638 as of December 31, 2012, and increase the release from temporarily restricted net assets by \$218,427 for the year ended December 31, 2013. As a result, temporarily restricted net assets decreased by \$1,343,065 and unrestricted net assets increased by \$1,343,065 from what was previously reported as of December 31, 2013. These corrections had no impact on GOOD360's total net assets as of December 31, 2013 and 2012, or the total change in net assets for the years then ended.

13. Subsequent Events

GOOD360's management has evaluated subsequent events through June 30, 2015, the date the financial statements were available to be issued. Except as disclosed in Note 4 related to the extension of the line of credit, and Note 6, related to a new office space lease and a sublease for GOOD360's old office space, there were no subsequent events identified that require recognition of, or disclosure in, these financial statements.