



GOODS FOR THE GREATER GOOD™

## **Financial Statements**

*For the Years Ended December 31, 2015 and 2014*



**and  
Report Thereon**





*Certified Public Accountants*

## **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, 2015 and 2014, 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, 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.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
June 24, 2016

**GOOD360**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 313,483	\$ 257,633
Contributions and other receivables	147,177	257,858
Contributions receivable – product inventory	3,461,202	4,605,954
Prepaid expenses and other	148,505	61,697
Product inventory	8,310,172	3,664,550
Total Current Assets	12,380,539	8,847,692
Deposits	77,037	68,630
Property and equipment, net	1,128,739	1,056,546
<b>TOTAL ASSETS</b>	<b>\$ 13,586,315</b>	<b>\$ 9,972,868</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 743,648	\$ 726,799
Accrued expenses	500,527	614,505
Deferred registration fees	679,932	614,953
Refundable advance	-	90,000
Line of credit	400,000	800,000
Note payable, current portion	142,857	142,857
Deferred rent and lease incentive, current portion	180,940	92,154
Total Current Liabilities	2,647,904	3,081,268
Note payable, net of current portion	792,857	535,714
Deferred rent and lease incentive, net of current portion	541,107	874,638
<b>TOTAL LIABILITIES</b>	<b>3,981,868</b>	<b>4,491,620</b>
Net Assets		
Unrestricted	9,352,170	5,203,563
Temporarily restricted	252,277	277,685
<b>TOTAL NET ASSETS</b>	<b>9,604,447</b>	<b>5,481,248</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,586,315</b>	<b>\$ 9,972,868</b>

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

## GOOD360

**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2015 and 2014

	2015					2014				
	Unrestricted			Temporarily Restricted	Total	Unrestricted			Temporarily Restricted	Total
	Operations	In-Kind Product	Total			Operations	In-Kind Product	Total		
<b>SUPPORT AND REVENUE</b>										
Product inventory and equipment contributions	\$ -	\$ 375,042,235	\$ 375,042,235	\$ -	\$ 375,042,235	\$ -	\$ 306,700,369	\$ 306,700,369	\$ -	\$ 306,700,369
Administrative fees and other	5,177,543	-	5,177,543	-	5,177,543	4,495,111	-	4,495,111	-	4,495,111
Grants, contracts and contributions	396,133	-	396,133	1,882,256	2,278,389	2,316,216	-	2,316,216	1,019,266	3,335,482
Sublease rental income	347,888	-	347,888	-	347,888	-	-	-	-	-
Donated services	257,571	-	257,571	-	257,571	181,955	-	181,955	-	181,955
Product sales, net of cost of goods sold of \$229,383 as of December 31, 2015	28,490	-	28,490	-	28,490	-	-	-	-	-
Net assets released from restrictions:										
Satisfaction of program restrictions	1,907,664	-	1,907,664	(1,907,664)	-	1,078,731	-	1,078,731	(1,078,731)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>8,115,289</b>	<b>375,042,235</b>	<b>383,157,524</b>	<b>(25,408)</b>	<b>383,132,116</b>	<b>8,072,013</b>	<b>306,700,369</b>	<b>314,772,382</b>	<b>(59,465)</b>	<b>314,712,917</b>
<b>EXPENSES</b>										
Program Services:										
Product distribution	3,302,493	371,541,365	374,843,858	-	374,843,858	4,304,687	304,843,923	309,148,610	-	309,148,610
<b>Total Program Services</b>	<b>3,302,493</b>	<b>371,541,365</b>	<b>374,843,858</b>	<b>-</b>	<b>374,843,858</b>	<b>4,304,687</b>	<b>304,843,923</b>	<b>309,148,610</b>	<b>-</b>	<b>309,148,610</b>
Supporting Services:										
Management and general	2,744,537	-	2,744,537	-	2,744,537	2,439,196	-	2,439,196	-	2,439,196
Marketing and fundraising	1,420,522	-	1,420,522	-	1,420,522	502,492	-	502,492	-	502,492
<b>Total Supporting Services</b>	<b>4,165,059</b>	<b>-</b>	<b>4,165,059</b>	<b>-</b>	<b>4,165,059</b>	<b>2,941,688</b>	<b>-</b>	<b>2,941,688</b>	<b>-</b>	<b>2,941,688</b>
<b>TOTAL EXPENSES</b>	<b>7,467,552</b>	<b>371,541,365</b>	<b>379,008,917</b>	<b>-</b>	<b>379,008,917</b>	<b>7,246,375</b>	<b>304,843,923</b>	<b>312,090,298</b>	<b>-</b>	<b>312,090,298</b>
<b>CHANGE IN NET ASSETS</b>	<b>647,737</b>	<b>3,500,870</b>	<b>4,148,607</b>	<b>(25,408)</b>	<b>4,123,199</b>	<b>825,638</b>	<b>1,856,446</b>	<b>2,682,084</b>	<b>(59,465)</b>	<b>2,622,619</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(3,066,941)</b>	<b>8,270,504</b>	<b>5,203,563</b>	<b>277,685</b>	<b>5,481,248</b>	<b>(3,892,579)</b>	<b>6,414,058</b>	<b>2,521,479</b>	<b>337,150</b>	<b>2,858,629</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (2,419,204)</b>	<b>\$ 11,771,374</b>	<b>\$ 9,352,170</b>	<b>\$ 252,277</b>	<b>\$ 9,604,447</b>	<b>\$ (3,066,941)</b>	<b>\$ 8,270,504</b>	<b>\$ 5,203,563</b>	<b>\$ 277,685</b>	<b>\$ 5,481,248</b>

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

**GOOD 360**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2015**

	Program Services	Supporting Services			Total Expenses
	Product Distribution	Management and General	Marketing and Fundraising	Total Supporting Services	
Product inventory distributions	\$ 371,541,365	\$ -	\$ -	\$ -	\$ 371,541,365
Salaries and other personnel costs	808,249	1,212,235	740,871	1,953,106	2,761,355
Logistics	1,537,354	-	-	-	1,537,354
Computer information systems	104,534	156,785	95,821	252,606	357,140
Depreciation and amortization	98,254	147,363	90,063	237,426	335,680
Marketing, printing and supplies	96,909	145,347	88,830	234,177	331,086
Loss on operating lease	-	276,157	-	276,157	276,157
Donated services	128,438	80,149	48,984	129,133	257,571
Travel	70,929	106,382	65,017	171,399	242,328
Professional fees	83,598	172,988	76,630	249,618	333,216
Rent	125,605	188,385	115,134	303,519	429,124
Bank fees	140,435	-	-	-	140,435
Miscellaneous expenses	42,769	64,148	39,205	103,353	146,122
Interest expense	-	85,958	-	85,958	85,958
Conferences and meetings	23,727	35,587	21,750	57,337	81,064
Contractual services and fees	11,828	17,740	10,842	28,582	40,410
Equipment rental and maintenance	10,256	15,383	9,401	24,784	35,040
Telephone and fax	9,154	13,729	8,391	22,120	31,274
Dues and subscriptions	8,903	13,354	8,161	21,515	30,418
Bad debt	-	10,520	-	10,520	10,520
Postage	1,551	2,327	1,422	3,749	5,300
<b>TOTAL</b>	<b><u>\$ 374,843,858</u></b>	<b><u>\$ 2,744,537</u></b>	<b><u>\$ 1,420,522</u></b>	<b><u>\$ 4,165,059</u></b>	<b><u>\$ 379,008,917</u></b>

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 Supporting Services	
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
<b>TOTAL</b>	<b>\$ 309,148,610</b>	<b>\$ 2,439,196</b>	<b>\$ 502,492</b>	<b>\$ 2,941,688</b>	<b>\$ 312,090,298</b>

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

**GOOD360**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2015 and 2014**  
**Increase (Decrease) in Cash and Cash Equivalents**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,123,199	\$ 2,622,619
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	335,680	186,294
Loss on disposal of leasehold improvements	476,047	-
Changes in assets and liabilities:		
Contributions and other receivables	110,681	(64,313)
Contributions receivable – product inventory	1,144,752	(3,975,542)
Prepaid expenses and other	(86,808)	(30,697)
Product inventory	(4,645,622)	2,119,096
Deposits	(8,407)	-
Accounts payable	16,849	19,691
Accrued expenses	(113,978)	(362,311)
Deferred registration fees	64,979	160,232
Refundable advance	(90,000)	90,000
Deferred rent and lease incentive	(244,745)	(55,455)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,082,627</b>	<b>709,614</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(883,920)	(458,098)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(883,920)</b>	<b>(458,098)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on note payable	(142,857)	(142,858)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(142,857)</b>	<b>(142,858)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	55,850	108,658
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>257,633</b>	<b>148,975</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 313,483</b>	<b>\$ 257,633</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 85,958	\$ 94,649
<b>NONCASH FINANCING ACTIVITIES</b>		
Repayment on line of credit	\$ (400,000)	\$ -
Borrowing under note payable	400,000	-
	\$ -	\$ -

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



## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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#### 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. 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. These activities are funded primarily through donated product inventory, administrative fees charged related to the donated product inventory and grants, contracts and contributions.

##### **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. Contributions receivable – product inventory included approximately \$3,461,000 and \$4,456,000 for the years ended December 31, 2015 and 2014, respectively, in product held at the warehouses of the donors that had not been distributed to

## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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

##### **Contributions Receivable – Product Inventory (continued)**

the ultimate recipients but were under the control of GOOD360. 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.

##### **Product Inventory**

Product inventory consists of donated goods and is recorded at estimated retail value, which approximates fair value. 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.

##### **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 postimplementation 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.

##### **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.

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## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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

##### **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 an administrative 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. During the year ended December 31, 2015, GOOD360 purchased inventory that was needed by nonprofit organizations participating in its donation program, but GOOD360 did not have enough of the donated product. This inventory was sold through GOOD360's online catalogue and is shown as product sales net of the cost of goods sold.

##### **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.

## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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

##### **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. The operation improvements were related to better management of operating expenses, developing a sustainable pricing model, investing in a business development team to provide a recurring source of donated product that nonprofit organizations needed and taking advantage of technology to improve efficiencies.

In 2014, GOOD360 started to see the positive effects of this restructuring, and these positive effects continued through 2015 and into the first two quarters of 2016. Year over year, product contributions have increased from approximately \$307,000,000 to \$375,000,000 and distributions have increased from approximately \$305,000,000 to \$372,000,000, which has added increased administrative fees of approximately \$635,000. In addition, over the past two years, Good360 has realized a positive change in net assets, and net cash from operations has increased from approximately \$710,000 to \$1,100,000. In 2015, GOOD360 continued to invest approximately \$853,000 in technology related to the online E-commerce platform and disaster platform, which was increased from the prior year investment of approximately \$458,000. These technologies have generated interest from various businesses and resulted in contributions to GOOD360 to support these efforts.

In 2016, GOOD360 continued to experience a consistent inflow of products, to keep expenses in line with growing support and to improve technology applications. This will enable GOOD360 to pursue its mission while becoming a financially stable and sustainable organization.

GOOD360

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment at December 31, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Software	\$ 1,985,858	\$ 1,126,275
Office equipment	380,811	371,561
Office furniture	85,261	85,261
Leasehold improvements	<u>17,635</u>	<u>751,453</u>
Total Property and Equipment	2,469,565	2,334,550
Less: Accumulated Depreciation and Amortization	<u>(1,340,826)</u>	<u>(1,278,004)</u>
Property and Equipment, Net	<u>\$ 1,128,739</u>	<u>\$ 1,056,546</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014, was \$335,680 and \$186,294, 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 September 30, 2015, and the line of credit is now due on demand. Additionally, on September 30, 2015, \$400,000 of the principal due under the line of credit was transferred to the note payable with the same financial institution, and the maximum amount available to GOOD360 under the line of credit was reduced to \$400,000. 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 (therefore, the rate was 6% at December 31, 2015 and 2014).

The revolving line of credit is collateralized with a blanket lien on all of GOOD360's assets, which include product inventory, receivables, and property and equipment. As of December 31, 2015 and 2014, \$400,000 and \$800,000, respectively, was outstanding on this line of credit.

Interest expense related to the line of credit was \$44,667 and \$48,667 for the years ended December 31, 2015 and 2014, respectively.

5. Note 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 were scheduled to mature on August 1, 2017, with a final interest and principal payment of

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## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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#### 5. Note Payable (continued)

\$311,123. On September 30, 2015, GOOD360 amended this term note to increase the principal amount of the term note by transferring \$400,000 of the principal held under the line of credit with the same financial institution into this term note. Additionally, the maturity date of this term note was extended to August 8, 2019. The term note bears interest at a fixed rate of 6%. The term note is collateralized with a blanket lien on all of GOOD360's assets, which include 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, 2015. Subsequent to year end, the bank modified the loan agreement so GOOD360 was in compliance with the covenants from the financial institution.

Annual maturities of this note payable are as follows:

<u>For the Year Ending December 31,</u>	
2016	\$ 142,857
2017	142,857
2018	142,857
2019	<u>507,143</u>
Total Note Payable	935,714
Less: Current Portion	<u>(142,857)</u>
Note Payable, Net of Current Portion	<u>\$ 792,857</u>

Interest expense incurred under this note was \$41,291 and \$45,892, respectively, for the years ended December 31, 2015 and 2014.

#### 6. Commitments

##### **Operating Leases**

Due to organizational restructuring over the past few years, GOOD360 was left with a significant amount of unused office space. On February 1, 2015, in an effort 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). 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 was assuming.

GOOD360

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

6. Commitments (continued)

**Operating Leases (continued)**

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 annual escalation clause. 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 and lease incentives in the accompanying statements of financial position.

In addition, Saul Limited, at no charge, allotted GOOD360 a temporary office space while the construction for the new office space was 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 <u>December 31,</u>	
2016	\$ 167,979
2017	172,598
2018	177,345
2019	182,222
2020	187,233
Thereafter	<u>662,727</u>
Total	<u>\$ 1,550,104</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.

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 the lease. The sublease includes yearly rental increases and required a security deposit in the amount of \$30,259.

Continued

**GOOD360**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2015 and 2014**

6. Commitments (continued)

**Operating Leases (continued)**

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

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

As of December 31, 2015, future minimum rental payments required under this office space operating lease, net of sublease income, are as follows:

For the Years Ending December 31,	Lease Payments	Sublease Income	Net
2016	\$ 454,982	\$ (298,800)	\$ 156,182
2017	468,599	(324,918)	143,681
2018	482,637	(401,679)	80,958
2019	497,063	(423,419)	73,644
2020	511,977	(440,356)	71,621
Thereafter	527,311	(457,970)	69,341
Total	\$ 2,942,569	\$ (2,347,142)	\$ 595,427

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 \$280,000, which was recognized in February 2015.

Rent expense for the years ended December 31, 2015 and 2014, was \$429,124 and \$363,053, respectively.

7. Concentrations and Risks

**Concentration**

For the years ended December 31, 2015 and 2014, GOOD360 received product inventory and equipment contributions of \$186,225,000 and \$173,179,512, respectively, through the retail donation program from one donor, which was approximately 49% and 55% of GOOD360's total support and revenue each year.



## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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#### 7. Concentrations and Risks (continued)

##### **Credit Risk**

Financial instruments, which potentially subject GOOD360 to a 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 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, 2015 and 2014, the amount in excess of the insured limit of \$250,000 totaled approximately \$138,000 and \$45,000, respectively.

#### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$252,277 and \$277,685 were restricted by purpose for specific product distribution programs as of December 31, 2015 and 2014, respectively.

#### 9. Donated Services

GOOD360 received various kinds of donated services for the years ended December 31, 2015 and 2014. These donated services related primarily to marketing, legal and shipping activities and amounted to \$257,571 and \$181,955, 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 (the 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, 2015 and 2014.

#### 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, 2015 and 2014, as GOOD360 had no taxable net unrelated business income.

GOOD360 follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting

## GOOD360

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2015 and 2014

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#### 11. Income Taxes (continued)

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, 2015 and 2014, and determined that it has no material uncertain tax positions, and accordingly, GOOD360 has not recognized any liability for unrecognized income tax. The statute of limitations for tax years 2012 through 2014 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, 2015 and 2014, GOOD360 had no accrual for interest and/or penalties.

#### 12. Reclassifications

Certain 2014 amounts have been reclassified to conform with the 2015 financial statement presentation.

#### 13. Subsequent Events

GOOD360's management has evaluated subsequent events through June 24, 2016, the date the financial statements were available to be issued. There were no subsequent events identified that are required to be disclosed in these financial statements.