



Financial Statements

For the Years Ended December 31, 2016 and 2015



**and
Report Thereon**





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
GOOD360

We have audited the accompanying financial statements of GOOD360, which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 30, 2017

GOOD360

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 596,870	\$ 313,483
Contributions and other receivables, net	560,830	147,177
Contributions receivable – product inventory	7,367,771	3,461,202
Prepaid expenses and other	230,607	148,505
Product inventory	12,886,820	8,310,172
Total Current Assets	21,642,898	12,380,539
Deposits	105,034	77,037
Property and equipment, net	765,128	1,128,739
TOTAL ASSETS	\$ 22,513,060	\$ 13,586,315
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 568,269	\$ 743,648
Accrued expenses	383,748	381,283
Credits due to customers	154,880	119,244
Deferred registration fees	769,361	679,932
Line of credit	400,000	400,000
Note payable, current portion	142,857	142,857
Lease obligation, current portion	143,681	156,182
Deferred rent and lease incentives, current portion	25,271	24,758
Total Current Liabilities	2,588,067	2,647,904
Note payable, net of current portion	650,000	792,857
Lease obligation, net of current portion	295,565	439,246
Deferred rent and lease incentives, net of current portion	120,666	101,861
TOTAL LIABILITIES	3,654,298	3,981,868
Net Assets		
Unrestricted	18,637,964	9,352,170
Temporarily restricted	220,798	252,277
TOTAL NET ASSETS	18,858,762	9,604,447
TOTAL LIABILITIES AND NET ASSETS	\$ 22,513,060	\$ 13,586,315

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

GOOD360

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016					2015				
	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	\$ -	\$ 358,852,350	\$ 358,852,350	\$ -	\$ 358,852,350	\$ -	\$ 375,042,235	\$ 375,042,235	\$ -	\$ 375,042,235
Administrative fees and other	5,219,683	-	5,219,683	-	5,219,683	5,177,543	-	5,177,543	-	5,177,543
Grants, contracts and contributions	1,205,284	-	1,205,284	1,018,949	2,224,233	396,133	-	396,133	1,882,256	2,278,389
Sublease rental income	379,514	-	379,514	-	379,514	347,888	-	347,888	-	347,888
Donated services	126,529	-	126,529	-	126,529	257,571	-	257,571	-	257,571
Product sales, net of cost of goods sold of \$326,997 and \$229,383 as of December 31, 2015 and 2016, respectively	116,201	-	116,201	-	116,201	28,490	-	28,490	-	28,490
Net assets released from restrictions: Satisfaction of program restrictions	1,050,428	-	1,050,428	(1,050,428)	-	1,907,664	-	1,907,664	(1,907,664)	-
TOTAL SUPPORT AND REVENUE	8,097,639	358,852,350	366,949,989	(31,479)	366,918,510	8,115,289	375,042,235	383,157,524	(25,408)	383,132,116
EXPENSES										
Program Service:										
Product distribution	3,492,517	350,369,133	353,861,650	-	353,861,650	3,302,493	371,541,365	374,843,858	-	374,843,858
Total Program Service	3,492,517	350,369,133	353,861,650	-	353,861,650	3,302,493	371,541,365	374,843,858	-	374,843,858
Supporting Services:										
Management and general	2,499,090	-	2,499,090	-	2,499,090	2,744,537	-	2,744,537	-	2,744,537
Partnership development	1,303,455	-	1,303,455	-	1,303,455	1,420,522	-	1,420,522	-	1,420,522
Total Supporting Services	3,802,545	-	3,802,545	-	3,802,545	4,165,059	-	4,165,059	-	4,165,059
TOTAL EXPENSES	7,295,062	350,369,133	357,664,195	-	357,664,195	7,467,552	371,541,365	379,008,917	-	379,008,917
CHANGE IN NET ASSETS	802,577	8,483,217	9,285,794	(31,479)	9,254,315	647,737	3,500,870	4,148,607	(25,408)	4,123,199
NET ASSETS, BEGINNING OF YEAR	(2,419,204)	11,771,374	9,352,170	252,277	9,604,447	(3,066,941)	8,270,504	5,203,563	277,685	5,481,248
NET ASSETS, END OF YEAR	\$ (1,616,627)	\$ 20,254,591	\$ 18,637,964	\$ 220,798	\$ 18,858,762	\$ (2,419,204)	\$ 11,771,374	\$ 9,352,170	\$ 252,277	\$ 9,604,447

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

GOOD360

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services	Supporting Services			2016 Total
	Product Distribution	Management and General	Partnership Development	Total Supporting Services	
Product inventory distributions	\$ 350,369,133	\$ -	\$ -	\$ -	\$ 350,369,133
Salaries and other personnel costs	960,029	1,377,432	751,326	2,128,758	3,088,787
Logistics	1,539,135	-	-	-	1,539,135
Rent	152,287	218,500	119,181	337,681	489,968
Depreciation and amortization	150,542	215,995	117,815	333,810	484,352
Computer information systems	112,829	161,885	88,301	250,186	363,015
Marketing, printing and supplies	96,570	138,557	75,576	214,133	310,703
Travel	58,339	83,704	45,657	129,361	187,700
Bank fees	150,227	-	-	-	150,227
Professional fees	45,894	65,848	35,917	101,765	147,659
Donated services	36,900	60,750	28,878	89,628	126,528
Interest expense	-	76,519	-	76,519	76,519
Contractual services and fees	56,447	-	-	-	56,447
Conferences and meetings	16,875	24,212	13,206	37,418	54,293
Equipment rental and maintenance	46,485	-	-	-	46,485
Miscellaneous expenses	11,989	17,202	9,383	26,585	38,574
Telephone and fax	11,401	16,358	8,923	25,281	36,682
Product expense – disaster	34,694	-	-	-	34,694
Dues and subscriptions	10,445	14,986	8,174	23,160	33,605
Bad debt	-	25,092	-	25,092	25,092
Postage	1,429	2,050	1,118	3,168	4,597
TOTAL EXPENSES	<u>\$ 353,861,650</u>	<u>\$ 2,499,090</u>	<u>\$ 1,303,455</u>	<u>\$ 3,802,545</u>	<u>\$ 357,664,195</u>

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

GOOD360

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

	Program Services	Supporting Services			2015 Total
	Product Distribution	Management and General	Partnership Development	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
Rent	125,605	188,385	115,134	303,519	429,124
Depreciation and amortization	98,254	147,363	90,063	237,426	335,680
Computer information systems	104,534	156,785	95,821	252,606	357,140
Marketing, printing and supplies	96,909	145,347	88,830	234,177	331,086
Loss on operating lease	-	276,157	-	276,157	276,157
Travel	70,929	106,382	65,017	171,399	242,328
Bank fees	140,435	-	-	-	140,435
Professional fees	83,598	172,988	76,630	249,618	333,216
Donated services	128,438	80,149	48,984	129,133	257,571
Interest expense	-	85,958	-	85,958	85,958
Contractual services and fees	11,828	17,740	10,842	28,582	40,410
Conferences and meetings	23,727	35,587	21,750	57,337	81,064
Equipment rental and maintenance	10,256	15,383	9,401	24,784	35,040
Miscellaneous expenses	42,769	64,148	39,205	103,353	146,122
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
TOTAL EXPENSES	<u>\$ 374,843,858</u>	<u>\$ 2,744,537</u>	<u>\$ 1,420,522</u>	<u>\$ 4,165,059</u>	<u>\$ 379,008,917</u>

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

GOOD360

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,254,315	\$ 4,123,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	484,352	335,680
Provision for doubtful accounts	13,942	10,520
In-kind contributions of product inventory and equipment	(358,852,350)	(375,042,235)
Distribution of product inventory and equipment received in-kind	350,369,133	371,541,365
Loss on disposal of leasehold improvements	-	476,047
Changes in assets and liabilities:		
Contributions and other receivables	(427,595)	100,161
Prepaid expenses and other	(82,102)	(86,808)
Deposits	(27,997)	(8,407)
Accounts payable	(175,379)	16,849
Accrued expenses	2,465	(42,293)
Credits due to customers	35,636	(71,685)
Deferred registration fees	89,429	64,979
Refundable advance	-	(90,000)
Lease obligation	(156,182)	595,428
Deferred rent and lease incentive	19,318	(840,173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	546,985	1,082,627
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(120,741)	(883,920)
NET CASH USED IN INVESTING ACTIVITIES	(120,741)	(883,920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(142,857)	(142,857)
NET CASH USED IN FINANCING ACTIVITIES	(142,857)	(142,857)
NET INCREASE IN CASH AND CASH EQUIVALENTS	283,387	55,850
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	313,483	257,633
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 596,870	\$ 313,483
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 76,519	\$ 85,958
NONCASH FINANCING ACTIVITIES		
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, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

Organization

GOOD360's mission is to transform lives by providing hope, dignity and a sense of renewed possibility to individuals, families, and communities impacted by disasters or other challenging life circumstances who, without GOOD360, would struggle to find that hope. As the global leader in product philanthropy and purposeful giving, GOOD360 partners with socially responsible companies to source highly needed goods and distribute them through its network of diverse nonprofits that support people in need.

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 to 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.

Good360 is a nonpartisan, cause-agnostic 501(c)(3) nonprofit and is headquartered in Alexandria, Virginia.

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 and Other Receivables

Contributions and other receivables are unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. Management determines the allowance for doubtful accounts by reviewing all outstanding receivables for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible.

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 \$3,496,000 and \$3,461,000 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015

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

Contributions Receivable – Product Inventory (continued)

the ultimate recipients but was 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 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.

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.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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 in 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 years ended December 31, 2016 and 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.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

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. Contributions and Other Receivables

The following are included in contributions and other receivables as of December 31, 2016 and 2015:

	2016	2015
Trade receivables	\$ 398,208	\$ 144,543
Contributions receivable	187,084	13,154
Total Contributions and Other Receivables	585,292	157,697
Less: Allowance for Doubtful Accounts	(24,462)	(10,520)
Contributions and Other Receivables, Net	\$ 560,830	\$ 147,177

All amounts were due within one year.

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment at December 31, 2016 and 2015, consisted of the following:

	2016	2015
Software	\$ 1,753,723	\$ 1,985,858
Office furniture	45,000	85,261
Leasehold improvements	17,635	17,635
Office equipment	9,250	380,811
Total Property and Equipment	1,825,608	2,469,565
Less: Accumulated Depreciation and Amortization	(1,060,480)	(1,340,826)
Property and Equipment, Net	\$ 765,128	\$ 1,128,739

Depreciation and amortization expense for the years ended December 31, 2016 and 2015, was \$484,352 and \$335,680, respectively.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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; 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, 2016 and 2015).

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, 2016 and 2015, \$400,000 was outstanding on this line of credit.

Interest expense related to the line of credit was \$23,032 and \$44,667 for the years ended December 31, 2016 and 2015, 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 \$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, with which GOOD360 was in full compliance as of December 31, 2016.

Annual maturities of this note payable are as follows:

For the Year Ending December 31,	
2017	\$ 142,857
2018	142,857
2019	<u>507,143</u>
Total Note Payable	792,857
Less: Current Portion	<u>(142,857)</u>
Note Payable, Net of Current Portion	<u>\$ 650,000</u>

Interest expense incurred under this note was \$53,487 and \$41,291, respectively, for the years ended December 31, 2016 and 2015.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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.

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 December 31,	
2017	\$ 175,763
2018	180,596
2019	185,563
2020	190,666
2021	195,909
Thereafter	<u>477,693</u>
Total	<u>\$ 1,406,190</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

GOOD360

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

6. Commitments (continued)

Operating Leases (continued)

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

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.

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

As of December 31, 2016, future minimum rental payments required under this office space operating lease, 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>
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
2021	<u>527,312</u>	<u>(457,970)</u>	<u>69,342</u>
Total	<u>\$ 2,487,588</u>	<u>\$ (2,048,342)</u>	<u>\$ 439,246</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, are 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. The net amount owed under this sublease agreement by GOOD360 is shown in lease obligation in the accompanying statement of financial position.

Rent expense for the years ended December 31, 2016 and 2015, was \$489,968 and \$429,124, respectively.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

6. Commitments (continued)

Employment Agreement

GOOD360 signed an employment agreement with its Chief Executive Officer (the CEO) on April 20, 2016. Under the terms of the agreement, if GOOD360 terminates the agreement for reasons other than cause before July 31, 2019, the CEO is entitled to receive severance pay in the amount of two to six months' salary depending on the CEO's years of service.

7. Concentrations and Risks

Concentration

For the years ended December 31, 2016 and 2015, GOOD360 received product inventory and equipment contributions of \$197,796,000 and \$186,225,000, respectively, through the retail donation program from one donor, which was approximately 54% and 49% of GOOD360's total support and revenue for those respective years.

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, 2016 and 2015, the amount in excess of the insured limit of \$250,000 totaled approximately \$90,000 and \$138,000, respectively.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$220,798 and \$252,277 were restricted by purpose for specific product distribution programs as of December 31, 2016 and 2015, respectively.

9. Donated Services

GOOD360 received various kinds of donated services for the years ended December 31, 2016 and 2015. These donated services related primarily to marketing, legal and shipping activities and amounted to \$126,529 and \$257,571, 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, 2016 and 2015.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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, 2016 and 2015, 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 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 evaluated its uncertainty in income taxes for the years ended December 31, 2016 and 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdictions or the various states and local jurisdictions in which GOOD360 files tax returns. It is GOOD360's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2016 and 2015, GOOD360 had no accrual for interest and/or penalties.

12. Subsequent Events

GOOD360's management has evaluated subsequent events through June 30, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.