



Financial Statements

For the Years Ended December 31, 2018 and 2017



**and
Report Thereon**



GOOD360

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For the Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' 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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

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Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of GOOD360 as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

GOOD360's 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated June 27, 2018, expressed an unmodified opinion on those statements.

Marcum LLP

Washington, DC
August 2, 2019

GOOD360

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,200,185	\$ 981,058
Contributions and other receivables, net	755,178	584,893
Contributions receivable – product inventory	10,923,178	6,614,749
Prepaid expenses and other	275,687	266,734
Product inventory	<u>26,290,676</u>	<u>21,104,145</u>
Total Current Assets	39,444,904	29,551,579
Investments	503,402	-
Deposits	105,034	105,034
Property and equipment, net	<u>238,965</u>	<u>369,557</u>
TOTAL ASSETS	<u>\$ 40,292,305</u>	<u>\$ 30,026,170</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 329,722	\$ 924,565
Accrued expenses	351,621	476,780
Credits due to customers	33,661	154,371
Deferred registration fees	587,569	480,684
Line of credit	400,000	400,000
Note payable, current portion	507,143	142,857
Lease obligation, current portion	73,644	80,958
Deferred rent and lease incentives, current portion	<u>10,313</u>	<u>5,346</u>
Total Current Liabilities	2,293,673	2,665,561
Note payable, net of current portion	-	507,143
Lease obligation, net of current portion	140,963	214,607
Deferred rent and lease incentives, net of current portion	<u>138,889</u>	<u>142,438</u>
TOTAL LIABILITIES	<u>2,573,525</u>	<u>3,529,749</u>
Net Assets		
Without donor restrictions	36,296,780	26,496,421
With donor restrictions	<u>1,422,000</u>	<u>-</u>
TOTAL NET ASSETS	<u>37,718,780</u>	<u>26,496,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,292,305</u>	<u>\$ 30,026,170</u>

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

GOOD360

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018					2017				
	Without Donor Restrictions			With Donor Restrictions	Total	Without Donor Restrictions			With Donor Restrictions	Total
	Operations	In-Kind Product	Total			Operations	In-Kind Product	Total		
SUPPORT AND REVENUE										
Product inventory and equipment contributions	\$ -	\$ 315,462,876	\$ 315,462,876	\$ -	\$ 315,462,876	\$ -	\$ 355,443,520	\$ 355,443,520	\$ -	\$ 355,443,520
Administrative fees and other	5,148,045	-	5,148,045	-	5,148,045	5,628,000	-	5,628,000	-	5,628,000
Grants, contracts and contributions	1,084,900	-	1,084,900	3,469,920	4,554,820	632,459	-	632,459	1,400,237	2,032,696
Sublease rental income and other income	604,457	-	604,457	-	604,457	396,983	-	396,983	-	396,983
Donated services	232,413	-	232,413	-	232,413	105,417	-	105,417	-	105,417
Product sales, net of cost of goods sold of \$455,254 and \$450,035 as of December 31, 2018 and 2017, respectively	154,296	-	154,296	-	154,296	135,307	-	135,307	-	135,307
Net assets released from restrictions: Satisfaction of program restrictions	2,047,920	-	2,047,920	(2,047,920)	-	1,621,035	-	1,621,035	(1,621,035)	-
TOTAL SUPPORT AND REVENUE	9,272,031	315,462,876	324,734,907	1,422,000	326,156,907	8,519,201	355,443,520	363,962,721	(220,798)	363,741,923
EXPENSES										
Program Service:										
Product distribution	4,787,374	305,991,134	310,778,508	-	310,778,508	4,304,332	347,979,217	352,283,549	-	352,283,549
Total Program Service	4,787,374	305,991,134	310,778,508	-	310,778,508	4,304,332	347,979,217	352,283,549	-	352,283,549
Supporting Services:										
Partnership development	2,250,992	-	2,250,992	-	2,250,992	1,300,054	-	1,300,054	-	1,300,054
Management and general	1,905,048	-	1,905,048	-	1,905,048	2,520,661	-	2,520,661	-	2,520,661
Total Supporting Services	4,156,040	-	4,156,040	-	4,156,040	3,820,715	-	3,820,715	-	3,820,715
TOTAL EXPENSES	8,943,414	305,991,134	314,934,548	-	314,934,548	8,125,047	347,979,217	356,104,264	-	356,104,264
CHANGE IN NET ASSETS	328,617	9,471,742	9,800,359	1,422,000	11,222,359	394,154	7,464,303	7,858,457	(220,798)	7,637,659
NET ASSETS, BEGINNING OF YEAR	(1,222,473)	27,718,894	26,496,421	-	26,496,421	(1,616,627)	20,254,591	18,637,964	220,798	18,858,762
NET ASSETS, END OF YEAR	\$ (893,856)	\$ 37,190,636	\$ 36,296,780	\$ 1,422,000	\$ 37,718,780	\$ (1,222,473)	\$ 27,718,894	\$ 26,496,421	\$ -	\$ 26,496,421

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

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Supporting Services			2018 Total
	Product Distribution	Partnership Development	Management and General	Total Supporting Services	
Product inventory distributions	\$ 305,991,134	\$ -	\$ -	\$ -	\$ 305,991,134
Salaries and other personnel costs	1,567,040	1,443,326	1,113,423	2,556,749	4,123,789
Logistics	2,160,164	-	-	-	2,160,164
Rent	223,803	206,134	159,018	365,152	588,955
Purchased inventory – cost of goods sold	455,254	-	-	-	455,254
Travel	116,828	107,605	83,009	190,614	307,442
Depreciation and amortization	116,292	107,111	82,629	189,740	306,032
Professional fees	105,999	97,630	75,315	172,945	278,944
Donated services	88,317	81,344	62,751	144,095	232,412
Computer information systems	74,892	68,980	53,213	122,193	197,085
Marketing, printing and supplies	55,534	51,149	39,458	90,607	146,141
Bank fees	109,544	-	-	-	109,544
Bad debt	-	-	106,024	106,024	106,024
Conferences and meetings	32,473	29,910	23,073	52,983	85,456
Miscellaneous expenses	31,250	28,783	22,204	50,987	82,237
Interest expense	-	-	62,544	62,544	62,544
Telephone and fax	21,632	19,924	15,370	35,294	56,926
Contractual services and fees	30,719	-	-	-	30,719
Equipment rental and maintenance	25,339	-	-	-	25,339
Dues and subscriptions	8,729	8,040	6,202	14,242	22,971
Product expense – disaster	17,672	-	-	-	17,672
Postage	1,147	1,056	815	1,871	3,018
TOTAL EXPENSES	\$ 311,233,762	\$ 2,250,992	\$ 1,905,048	\$ 4,156,040	\$ 315,389,802

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

GOOD360

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Supporting Services			2017 Total
	Product Distribution	Partnership Development	Management and General	Total Supporting Services	
Product inventory distributions	\$ 347,979,217	\$ -	\$ -	\$ -	\$ 347,979,217
Salaries and other personnel costs	1,256,604	773,295	1,449,928	2,223,223	3,479,827
Logistics	1,972,429	-	-	-	1,972,429
Rent	187,437	115,347	218,530	333,877	521,314
Purchased inventory – cost of goods sold	450,035	-	-	-	450,035
Travel	91,455	56,280	105,525	161,805	253,260
Depreciation and amortization	180,216	110,902	207,942	318,844	499,060
Professional fees	102,618	63,150	118,406	181,556	284,174
Donated services	38,067	23,426	43,924	67,350	105,417
Computer information systems	88,647	54,552	102,285	156,837	245,484
Marketing, printing and supplies	90,446	55,659	104,361	160,020	250,466
Bank fees	131,208	-	-	-	131,208
Bad debt	-	-	15,101	15,101	15,101
Conferences and meetings	34,755	21,388	40,102	61,490	96,245
Miscellaneous expenses	19,740	12,148	22,560	34,708	54,448
Interest expense	-	-	65,922	65,922	65,922
Telephone and fax	14,930	9,188	17,227	26,415	41,345
Contractual services and fees	19,928	-	-	-	19,928
Equipment rental and maintenance	40,552	-	-	-	40,552
Dues and subscriptions	6,346	3,905	7,322	11,227	17,573
Product expense – disaster	27,632	-	-	-	27,632
Postage	1,322	814	1,526	2,340	3,662
TOTAL EXPENSES	\$ 352,733,584	\$ 1,300,054	\$ 2,520,661	\$ 3,820,715	\$ 356,554,299

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

GOOD360

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,222,359	\$ 7,637,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	306,032	499,060
Provision for doubtful accounts	(6,071)	(9,361)
In-kind contributions of product inventory and equipment	(315,462,876)	(355,443,520)
Distribution of product inventory and equipment received in-kind	305,991,134	347,979,217
Changes in assets and liabilities:		
Contributions and other receivables	(164,214)	(14,702)
Prepaid expenses and other	(8,953)	(36,127)
Product inventory	(23,218)	-
Accounts payable	(594,843)	356,296
Accrued expenses	(125,159)	93,032
Credits due to customers	(120,710)	(509)
Deferred registration fees	106,885	(288,677)
Lease obligation	(80,958)	(143,681)
Deferred rent and lease incentives	1,418	1,847
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,040,826	630,534
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(175,440)	(103,489)
Purchases of investments	(503,402)	-
NET CASH USED IN INVESTING ACTIVITIES	(678,842)	(103,489)
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	219,127	384,188
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	981,058	596,870
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,200,185	\$ 981,058
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 62,544	\$ 65,922

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

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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

Product 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 \$3,439,000 and \$3,285,000 for the years ended December 31, 2018 and 2017, respectively, in product held at the warehouses of the donors that had not been distributed to the ultimate recipients but was under the control of GOOD360. The remaining amounts in contributions receivable – product inventory were goods that were in transit to the

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

Contributions Receivable – Product Inventory (continued)

partner organization but had not been received as of year-end. 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.

Investments

Investments consist of open-end mutual funds recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment transactions are recorded on a trade-date basis. Investment income or loss, including realized and unrealized gains and losses, is included as sublease rental income and other income in the statements of activities. Net investment income is reported as increases or decreases in net assets without donor restrictions, unless restricted by donor or law.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, GOOD360 has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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

Fair Value Measurement (continued)

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2018, GOOD360's investments in mutual funds of \$503,402 were classified as Level 1 investments in the fair value hierarchy. There were no assets or liabilities measured at fair value on a recurring basis as of December 31, 2017.

Property and Equipment and Related Depreciation and Amortization

Property and equipment with an estimated useful life of more than a year 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:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of GOOD360 at the discretion of GOOD360's management and the Board of Directors (the Board).
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of GOOD360 or by the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. GOOD360 does not have any net assets with donor restrictions that are perpetual in nature.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018 and 2017, 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. Expenses directly attributed to a specific functional area of GOOD360 are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on management's estimates of direct labor costs.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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.

New Accounting Pronouncement

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. GOOD360 has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Contributions and Other Receivables

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

	2018	2017
Trade receivables	\$ 693,738	\$ 520,615
Contributions receivable	70,470	79,379
Total Contributions and Other Receivables	764,208	599,994
Less: Allowance for Doubtful Accounts	(9,030)	(15,101)
Contributions and Other Receivables, Net	\$ 755,178	\$ 584,893

All amounts were due within one year.

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Software	\$ 1,959,116	\$ 1,849,367
Office equipment	48,542	17,095
Office furniture	45,000	45,000
Vehicles	34,244	-
Leasehold improvements	17,635	17,635
Total Property and Equipment	2,104,537	1,929,097
Less: Accumulated Depreciation and Amortization	(1,865,572)	(1,559,540)
Property and Equipment, Net	\$ 238,965	\$ 369,557

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GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

3. Property and Equipment and Accumulated Depreciation and Amortization (continued)

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, was \$306,032 and \$499,060, respectively.

4. Line of Credit

GOOD360 had a \$400,000 revolving line of credit with a financial institution as of December 31, 2015. This line of credit was increased during the year ended December 31, 2017, to \$600,000. The line of credit is subject to annual renewal on September 30 and is due on demand. 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%. As of December 31, 2018 and 2017, the interest rate on the line of credit was 6.5% and 5.5%, respectively.

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, 2018 and 2017, \$400,000 was outstanding on this line of credit.

Interest expense related to the line of credit was \$26,990 and \$21,535 for the years ended December 31, 2018 and 2017, respectively.

5. Note Payable

GOOD360 has a term note requiring monthly payments of interest and principal payments with a maturity date of August 8, 2019, at which time the full balance at December 31, 2018, in the amount of \$507,143 is due. 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 financial covenants, with which GOOD360 is in compliance. Interest expense incurred under this note was \$35,554 and \$44,387, respectively, for the years ended December 31, 2018 and 2017.

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.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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. 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,	
2019	\$ 185,563
2020	190,666
2021	195,909
2022	201,296
2023	206,832
Thereafter	<u>69,565</u>
Total	<u>\$ 1,049,831</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.

GOOD360

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

6. Commitments (continued)

Operating Leases (continued)

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

As of December 31, 2018, future minimum rental payments required under this office space operating lease, net of sublease income, were as follows:

<u>For the Years Ending December 31,</u>	<u>Lease Payments</u>	<u>Sublease Income</u>	<u>Net</u>
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>\$ 1,536,352</u>	<u>\$ (1,321,745)</u>	<u>\$ 214,607</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 were no longer used by GOOD360. 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 statements of financial position.

Rent expense for the years ended December 31, 2018 and 2017, was \$588,955 and \$521,314, respectively.

7. Concentrations and Risks

Concentration

For the years ended December 31, 2018 and 2017, GOOD360 received product inventory and equipment contributions of \$40,124,000 and \$167,964,000, respectively, through the Retail Donation Program from one donor, which was approximately 12% and 46% 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, 2018 and 2017, the amount in excess of the insured limit of \$250,000 totaled approximately \$448,000 and \$268,000, respectively.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

8. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes or periods as of December 31:

	<u>2018</u>	<u>2017</u>
Product Distribution - Disaster Relief	\$ 1,422,000	\$ -
Total Net Assets With Donor Restrictions	<u>\$ 1,422,000</u>	<u>\$ -</u>

9. Availability and Liquidity

GOOD360 regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. GOOD360's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2018, were as follows:

	<u>2018</u>
Cash and cash equivalents	\$ 1,200,185
Contributions and other receivable, net	755,178
Investments	<u>503,402</u>
Total Financial Assets Available Within One Year	<u>\$ 2,458,765</u>

GOOD360 has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of GOOD360 throughout the year. This is done through monitoring and reviewing GOOD360's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of GOOD360's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, GOOD360 has a revolving line of credit of \$600,000 of which \$200,000 was available to draw upon as of December 31, 2018.

10. Donated Services

GOOD360 received various kinds of donated services for the years ended December 31, 2018 and 2017. These donated services related primarily to marketing, legal and shipping activities and amounted to \$232,413 and \$105,417, respectively.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2018 and 2017

11. 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, 2018 and 2017.

12. Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

13. 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 was required as of December 31, 2018 and 2017, as GOOD360 had no significant net taxable 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 evaluated its uncertainty in income taxes for the years ended December 31, 2018 and 2017, 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, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdictions or the various states and local jurisdictions in which GOOD360 files tax returns; however, there are currently no examinations in progress. It is GOOD360's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2018 and 2017, GOOD360 had no accrual for interest and/or penalties.

14. Subsequent Events

GOOD360's management has evaluated subsequent events through August 2, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.