



Financial Statements

For the Years Ended December 31, 2019 and 2018



**and
Report Thereon**



GOOD360

TABLE OF CONTENTS
For the Years Ended December 31, 2019 and 2018

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-19

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 statements of financial position as of December 31, 2019 and 2018, 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.

Auditors' 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 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.

Continued

- 1 -

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, 2019 and 2018, 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.

Marcum LLP

Washington, DC
August 25, 2020

GOOD360

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash, cash equivalents and investments	\$ 1,017,331	\$ 1,703,587
Administrative fees and other receivables, net	475,591	755,178
Contributions receivable – product inventory	4,913,814	10,923,178
Prepaid expenses and other	198,070	275,687
Product inventory	<u>19,865,147</u>	<u>26,290,676</u>
 Total Current Assets	 26,469,953	 39,948,306
 Deposits	 106,865	 105,034
Property and equipment, net	<u>352,250</u>	<u>238,965</u>
 TOTAL ASSETS	 <u>\$ 26,929,068</u>	 <u>\$ 40,292,305</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 699,207	\$ 329,722
Accrued expenses	126,370	351,621
Credits due to customers	27,983	33,661
Deferred administrative fees	665,884	587,569
Line of credit	300,000	400,000
Note payable, current portion	139,093	507,143
Lease obligation, current portion	71,621	73,644
Deferred rent and lease incentives, current portion	<u>15,416</u>	<u>10,313</u>
 Total Current Liabilities	 2,045,574	 2,293,673
 Note payable, net of current portion	 428,352	 -
Lease obligation, net of current portion	69,341	140,963
Deferred rent and lease incentives, net of current portion	<u>124,834</u>	<u>138,889</u>
 TOTAL LIABILITIES	 <u>2,668,101</u>	 <u>2,573,525</u>
Net Assets		
Without donor restrictions	24,102,028	36,296,780
With donor restrictions	<u>158,939</u>	<u>1,422,000</u>
 TOTAL NET ASSETS	 <u>24,260,967</u>	 <u>37,718,780</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 26,929,068</u>	 <u>\$ 40,292,305</u>

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

GOOD360

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019					2018				
	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 PROGRAM REVENUE										
Product contributions	\$ -	\$ 316,371,844	\$ 316,371,844	\$ -	\$ 316,371,844	\$ -	\$ 315,462,876	\$ 315,462,876	\$ -	\$ 315,462,876
Administrative fees	4,681,295	-	4,681,295	-	4,681,295	5,148,045	-	5,148,045	-	5,148,045
Grants, contributions and managed program fees	958,480	-	958,480	2,464,063	3,422,543	1,084,900	-	1,084,900	3,469,920	4,554,820
Product sales	610,737	-	610,737	-	610,737	609,550	-	609,550	-	609,550
Donated services	29,592	-	29,592	-	29,592	232,413	-	232,413	-	232,413
Net assets released from restrictions:										
Satisfaction of program restrictions	3,727,124	-	3,727,124	(3,727,124)	-	2,047,920	-	2,047,920	(2,047,920)	-
Total Support and Program Revenue	10,007,228	316,371,844	326,379,072	(1,263,061)	325,116,011	9,122,828	315,462,876	324,585,704	1,422,000	326,007,704
OTHER REVENUE										
Sublease rental income	379,514	-	379,514	-	379,514	379,514	-	379,514	-	379,514
Other income	23,949	-	23,949	-	23,949	224,943	-	224,943	-	224,943
Total Other Revenue	403,463	-	403,463	-	403,463	604,457	-	604,457	-	604,457
TOTAL SUPPORT, PROGRAM AND OTHER REVENUE	10,410,691	316,371,844	326,782,535	(1,263,061)	325,519,474	9,727,285	315,462,876	325,190,161	1,422,000	326,612,161
EXPENSES										
Program Service:										
Product distribution	6,368,229	328,819,406	335,187,635	-	335,187,635	5,242,628	305,991,134	311,233,762	-	311,233,762
Total Program Service	6,368,229	328,819,406	335,187,635	-	335,187,635	5,242,628	305,991,134	311,233,762	-	311,233,762
Supporting Services:										
Partnership development	1,778,516	-	1,778,516	-	1,778,516	2,250,992	-	2,250,992	-	2,250,992
Management and general	2,011,136	-	2,011,136	-	2,011,136	1,905,048	-	1,905,048	-	1,905,048
Total Supporting Services	3,789,652	-	3,789,652	-	3,789,652	4,156,040	-	4,156,040	-	4,156,040
TOTAL EXPENSES	10,157,881	328,819,406	338,977,287	-	338,977,287	9,398,668	305,991,134	315,389,802	-	315,389,802
CHANGE IN NET ASSETS	252,810	(12,447,562)	(12,194,752)	(1,263,061)	(13,457,813)	328,617	9,471,742	9,800,359	1,422,000	11,222,359
NET ASSETS, BEGINNING 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
NET ASSETS, END OF YEAR	\$ (641,046)	\$ 24,743,074	\$ 24,102,028	\$ 158,939	\$ 24,260,967	\$ (893,856)	\$ 37,190,636	\$ 36,296,780	\$ 1,422,000	\$ 37,718,780

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

GOOD360

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Supporting Services			Total
	Product Distribution	Partnership Development	Management and General	Total Supporting Services	
Product inventory distributions	\$ 328,819,406	\$ -	\$ -	\$ -	\$ 328,819,406
Salaries and other personnel costs	2,072,346	1,189,664	1,266,421	2,456,085	4,528,431
Logistics	2,356,870	-	-	-	2,356,870
Rent	282,497	161,417	172,430	333,847	616,344
Purchased product – cost of goods sold	468,924	-	-	-	468,924
Travel	157,490	90,411	96,244	186,655	344,145
Computer information systems	136,145	78,157	83,200	161,357	297,502
Joint programs	262,500	-	-	-	262,500
Marketing, printing and supplies	95,055	54,569	58,089	112,658	207,713
Professional fees	91,839	52,723	56,124	108,847	200,686
Conferences and meetings	73,169	42,004	44,714	86,718	159,887
Bank fees	133,207	-	-	-	133,207
Miscellaneous expenses	48,964	28,109	54,528	82,637	131,601
Depreciation and amortization	59,353	34,073	36,271	70,344	129,697
Dues and subscriptions	35,947	20,636	21,967	42,603	78,550
Telephone and fax	31,700	18,198	19,372	37,570	69,270
Interest expense	-	-	52,885	52,885	52,885
Contractual services and fees	40,112	-	-	-	40,112
Bad debt	-	-	39,782	39,782	39,782
Donated services	13,542	7,774	8,276	16,050	29,592
Product expense – disaster	7,208	-	-	-	7,208
Postage	1,361	781	833	1,614	2,975
TOTAL EXPENSES	<u>\$ 335,187,635</u>	<u>\$ 1,778,516</u>	<u>\$ 2,011,136</u>	<u>\$ 3,789,652</u>	<u>\$ 338,977,287</u>

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

GOOD360

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

	Program Services	Supporting Services			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 product – cost of goods sold	455,254	-	-	-	455,254
Travel	116,828	107,605	83,009	190,614	307,442
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
Professional fees	105,999	97,630	75,315	172,945	278,944
Conferences and meetings	32,473	29,910	23,073	52,983	85,456
Bank fees	109,544	-	-	-	109,544
Miscellaneous expenses	31,250	28,783	22,204	50,987	82,237
Depreciation and amortization	116,292	107,111	82,629	189,740	306,032
Dues and subscriptions	8,729	8,040	6,202	14,242	22,971
Telephone and fax	21,632	19,924	15,370	35,294	56,926
Interest expense	-	-	62,544	62,544	62,544
Contractual services and fees	30,719	-	-	-	30,719
Bad debt	-	-	106,024	106,024	106,024
Donated services	88,317	81,344	62,751	144,095	232,412
Equipment rental and maintenance	25,339	-	-	-	25,339
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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (13,457,813)	\$ 11,222,359
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	129,697	306,032
Provision for doubtful accounts	(9,030)	(6,071)
In-kind contributions of product inventory and equipment	(316,371,844)	(315,462,876)
Distribution of product inventory and equipment received in-kind	328,819,406	305,991,134
Unrealized gain on investments	(9,090)	-
Changes in assets and liabilities:		
Administrative fees and other receivables	288,617	(164,214)
Prepaid expenses and other	77,617	(8,953)
Product inventory	(12,669)	(23,218)
Deposits	(1,831)	-
Accounts payable	369,485	(594,843)
Accrued expenses	(225,251)	(125,159)
Credits due to customers	(5,678)	(120,710)
Deferred administrative fees	78,315	106,885
Lease obligation	(73,645)	(80,958)
Deferred rent and lease incentives	(8,952)	1,418
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(412,666)	1,040,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(242,982)	(175,440)
Purchases of investments	(13,304)	(503,402)
NET CASH USED IN INVESTING ACTIVITIES	(256,286)	(678,842)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	100,000	-
Repayments on line of credit	(200,000)	-
Borrowings on note payable	200,000	-
Repayments on note payable	(139,698)	(142,857)
NET CASH USED IN FINANCING ACTIVITIES	(39,698)	(142,857)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(708,650)	219,127
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,200,185	981,058
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 491,535	\$ 1,200,185
Cash and cash equivalents	\$ 491,535	\$ 1,200,185
Investments	525,796	503,402
Cash, cash equivalents and investments	\$ 1,017,331	\$ 1,703,587
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 52,885	\$ 62,544

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

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

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. These activities are funded primarily through donated product inventory; administrative fees charged related to the donated product inventory; and grants, managed program fees 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 money market funds, which are to be used for current operations, to be cash and cash equivalents.

Administrative Fees and Other Receivables

Administrative fees as well as contributions 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 contributions 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 \$3,470,000 and \$3,439,000 for the years ended December 31, 2019 and 2018, 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 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 unconditional promises to give of product inventory to be fully collectible; therefore, no allowance for doubtful accounts has been established.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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

Product Inventory

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

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, 2019 and 2018, GOOD360's investments were in a bond mutual fund totaling \$525,796 and \$503,402, respectively, and were classified as Level 1 investments in the fair value hierarchy.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

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

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 Administrative Fees

Deferred administrative fees represent advance payments of annual fees to participate in the Retail Donation Program and are recognized as revenue ratably over the period to which the fees relate.

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.
- 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.

Support and Revenue Recognition

Unconditional 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 unconditional donated inventory is considered support without restrictions.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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

Support and Revenue Recognition (continued)

Under the Retail Match 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 contributions and the related product distributions are recorded in the accompanying statements of activities at the estimated retail value, as discussed above.

Administrative fees are collected for warehouse, direct truckload and Retail Match Program transactions and consist of the following:

- Warehouse fees collected from charities that order products via the online catalog. It is an administrative fee based on the quantity ordered to cover costs associated with shipping and handling. These fees are recognized at the point in time that the shipment occurs. Payments not received as of year-end are included in administrative fees and other receivables in the accompanying statements of financial position.
- Direct truckload fees are fees collected from charities to receive a truckload of donor inventory. The fees are recognized once the sales order is processed.
- Administrative fees collected to participate in the Retail Match Program are recognized ratably over the term of the subscription which is usually one year from when the subscription period starts and shown as administrative fees on the statements of activities. Administrative fees that have been collected but the performance obligation has not been satisfied are include in deferred administrative fees on the statements of financial position.

Unconditional grants and contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. GOOD360 reports unconditional 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. Unconditional support recognized on grants and contributions that have been committed to GOOD360, but have not been received, is reported as administrative fees and other receivables in the accompanying statements of financial position.

Conditional promises to give – that is, those with a measurable performance or other barriers and a right of return – are not recognized until the conditions on which they depend have been met. There were no conditional grants and contributions as of December 31, 2019 and 2018.

Managed program fees is funding that donors pay to assist with the distribution of their donated product inventory. Revenue is recognized over the term of the contract as the performance obligation is completed over time.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

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

Support and Revenue Recognition (continued)

GOOD360 recognizes donated services at the estimated fair value of the services received 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, 2019 and 2018, 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 in the statements of activities and purchased product – cost of goods sold in the statements of functional expenses.

Other revenue includes rental income and other income. Sublease rental income, adjusted for lease incentives, is recognized on a straight-line basis over the term of each lease. Other income includes interest earned from banking institutions. Other income in 2018 includes funds received from a legal settlement.

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.

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 Pronouncements

In May 2014, FASB issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. GOOD360 adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact GOOD360's results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for

GOOD360

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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

New Accounting Pronouncements (continued)

as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. GOOD360 adopted ASU 2018-08 on January 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the financial statements or the timing of support and revenue recognition for GOOD360's grants and contributions.

2. Administrative Fees and Other Receivables

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

	2019	2018
Administrative fees	\$ 387,591	\$ 693,738
Managed program fees	56,250	56,250
Contributions receivable	31,750	14,220
Total Contributions and Other Receivables	475,591	764,208
Less: Allowance for Doubtful Accounts	-	(9,030)
Administrative Fees and Other Receivables, Net	\$ 475,591	\$ 755,178

All amounts were due within one year.

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Software	\$ 2,183,829	\$ 1,959,116
Office equipment	53,092	48,542
Office furniture	51,625	45,000
Vehicles	37,255	34,244
Leasehold improvements	21,718	17,635
Total Property and Equipment	2,347,519	2,104,537
Less: Accumulated Depreciation and Amortization	(1,995,269)	(1,865,572)
Property and Equipment, Net	\$ 352,250	\$ 238,965

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was \$129,697 and \$306,032, respectively.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

4. Line of Credit

GOOD360 had a \$600,000 revolving line of credit with a financial institution. 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, 2019 and 2018, the interest rate on the line of credit was 5.75% and 6.5%, 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, 2019 and 2018, \$300,000 and \$400,000, respectively, was outstanding on this line of credit. Interest expense related to the line of credit was \$22,119 and \$26,990 for the years ended December 31, 2019 and 2018, 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. In August 2019, GOOD360 amended the note payable to extend the maturity date through August 8, 2023. The note payable had a balance of \$567,445 and \$507,143 as of December 31, 2019 and 2018, respectively. \$832,555 and \$492,857 was available to Good360 under the note payable as of December 31, 2019 and 2018, respectively. 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, including a debt service coverage ratio of at least 1.2. GOOD360 was not in compliance with this financial ratio at December 31, 2019. Subsequent to year-end, Good360 received a waiver from the bank stating that the bank waived the covenant violation for the fiscal year ended December 31, 2019.

Annual maturities of this note payable are as follows:

For the Year Ending December 31,	
2020	\$ 139,093
2021	147,672
2022	156,780
2023	<u>123,900</u>
Total Note Payable	567,445
Less: Current Portion	<u>(139,093)</u>
Note Payable, Net of Current Portion	<u>\$ 428,352</u>

Interest expense incurred under this note was \$30,766 and \$35,554 respectively, for the years ended December 31, 2019 and 2018.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

6. Commitments

Operating Leases

Due to organizational restructuring, 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 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. 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,	
2020	\$ 190,666
2021	195,909
2022	201,296
2023	206,832
2024	<u>69,565</u>
Total	<u>\$ 864,268</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.

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, 2019 and 2018

6. Commitments (continued)

Operating Leases (continued)

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

As of December 31, 2019, 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>
2020	\$ 511,977	\$ (440,356)	\$ 71,621
2021	<u>527,312</u>	<u>(457,970)</u>	<u>69,342</u>
Total	<u>\$ 1,039,289</u>	<u>\$ (898,326)</u>	<u>\$ 140,963</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.

In March 2019, GOOD360 entered into a one-year lease in Alabama for \$4,000 per month.

Rent expense for the years ended December 31, 2019 and 2018, was \$616,344 and \$588,955, respectively.

7. Concentrations and Risks

Concentration

For the years ended December 31, 2019 and 2018, GOOD360 received product inventory contributions of \$117,090,000 and \$76,564,000, respectively, through the Retail Donation Program from three donors in 2019 and two donors in 2018, which was approximately 36% and 23% 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, 2019, there were no amounts in excess of the insured limit of \$250,000. As of December 31, 2018, there were \$448,000 in excess of the insured limit of \$250,000.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

8. Net Assets

Net Assets With Donor Restrictions

As of December 31, 2019 and 2018, net assets with donor restrictions were all restricted for the disaster relief product distribution program.

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, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 491,535	\$ 1,200,185
Contributions and other receivable, net	475,591	755,178
Investments	<u>525,796</u>	<u>503,402</u>
Total Financial Assets Available Within One Year	<u>\$ 1,492,922</u>	<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 \$300,000 and \$200,000 was available to draw upon as of December 31, 2019 and 2018, respectively.

10. Donated Services

GOOD360 received various kinds of donated services for the years ended December 31, 2019 and 2018. These donated services related primarily to marketing, legal and shipping activities and amounted to \$29,592 and \$232,413, respectively.

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, 2019 and 2018.

GOOD360

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2018

12. 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019, the statute of limitations for certain tax years with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which GOOD360 files tax returns are open for examination; however, there are currently no examinations pending or 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, 2019 and 2018, GOOD360 had no accrual for interest and/or penalties.

13. Subsequent Events

In preparing these financial statements, GOOD360 has evaluated events and transactions for potential recognition or disclosure through August 25, 2020, the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. There is considerable uncertainty about the duration of closings. GOOD360 has been able to continue most of its administrative operations in a remote environment and operate its warehouse to provide donated goods for COVID-19 relief including donating lifesaving hygiene products to the most vulnerable, sourcing and shipping protective equipment to essential workers domestically and overseas, providing essential items (including clothing furniture, baby products), to those facing economic hardship and distributing educational materials, toys, books and games to children and families in quarantine; however, at this point, the extent to which COVID-19 may impact GOOD360's financial condition or results of operations is uncertain.

On April 27, 2020, GOOD360 entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$789,337. The loan will mature on April 27, 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest of \$44,421 will commence on November 27, 2020, and continue through the maturity date. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP.

Continued

GOOD360

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

13. Subsequent Events (continued)

On June 29, 2020, GOOD360 entered into a Small Business Administration loan with its financial institution under the Economic Injury Disaster Loan program for the amount of \$150,000. The loan will mature on June 29, 2050, with a fixed interest rate of 2.75% per annum. Monthly installment payments of principal and interest of \$641 will commence on June 29, 2021, and may continue through the maturity date.

There were no other subsequent events that require recognition or disclosure in the financial statements.