

**THE B TEAM HEADQUARTERS, INC.**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**DECEMBER 31, 2019 AND 2018**

# THE B TEAM HEADQUARTERS, INC.

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## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
The B Team Headquarters, Inc.

We have audited the accompanying financial statements of The B Team Headquarters, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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 of 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 The B Team Headquarters, Inc. 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.

New York, NY  
April 28, 2020

*Skody Scot & Company, CPAs, P.C.*

**THE B TEAM HEADQUARTERS, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,449,121	\$ 1,680,329
Program revenue and other receivables	15,282	17,044
Contributions receivable	357,498	23,693
Prepaid expenses	10,263	17,616
Security deposits and other assets	4,224	4,224
Total assets	\$ 1,836,388	\$ 1,742,906
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 156,701	\$ 159,761
Deferred revenue	422,148	714,835
Total liabilities	578,849	874,596
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	1,143,695	614,206
With donor restrictions	113,844	254,104
Total net assets/(deficit)	1,257,539	868,310
Total liabilities and net assets/(deficit)	\$ 1,836,388	\$ 1,742,906

**See accompanying notes to the financial statements.**

**THE B TEAM HEADQUARTERS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Contributions	\$ 4,158,685	\$ 106,308	\$ 4,264,993	\$ 3,777,772	\$ 254,104	\$ 4,031,876
Contributions in-kind	277,233	-	277,233	642,922	-	642,922
Program service revenue	116,707	-	116,707	95,027	-	95,027
Interest income	592	-	592	1,019	-	1,019
Other income	754	-	754	-	-	-
Net assets released from restriction:						
Satisfaction of purpose restrictions	246,568	(246,568)	-	-	-	-
Expiration of time restrictions	-	-	-	166,000	(166,000)	-
Total net assets released from restriction	246,568	(246,568)	-	166,000	(166,000)	-
Total support and revenues	4,800,539	(140,260)	4,660,279	4,682,740	88,104	4,770,844
<b>Expenses:</b>						
Program services	3,232,941	-	3,232,941	3,612,768	-	3,612,768
Supporting services:						
Management and general	888,076	-	888,076	875,858	-	875,858
Fundraising	150,033	-	150,033	246,236	-	246,236
Total expenses	4,271,050	-	4,271,050	4,734,862	-	4,734,862
<b>Increase/(Decrease) in net assets</b>	529,489	(140,260)	389,229	(52,122)	88,104	35,982
Net assets, beginning of year	614,206	254,104	868,310	666,328	166,000	832,328
Net assets, end of year	\$ 1,143,695	\$ 113,844	\$ 1,257,539	\$ 614,206	\$ 254,104	\$ 868,310

See accompanying notes to the financial statements.

**THE B TEAM HEADQUARTERS, INC.  
STATEMENT OF EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Salaries	\$ 882,709	\$ 268,394	\$ 84,937	\$ 1,236,040
Payroll taxes and benefits	186,351	47,364	21,622	255,337
Communications - advertising	85,000	-	-	85,000
Communications - production & design	66,342	3,578	-	69,920
Consultants & contractors	496,317	41,234	18,850	556,401
Event venue, travel & production	175,911	178,580	1,987	356,478
Grants to affiliate	1,209,023	192,547	2,363	1,403,933
Insurance	-	6,680	-	6,680
Office supplies and expenses	5,326	58,831	228	64,385
Professional fees	-	21,895	-	21,895
Recruitment and training	4,653	25,926	750	31,329
Rent and utilities	53,877	13,644	12,644	80,165
Telephone and communications	7,198	1,525	1,743	10,466
Travel and meetings	60,234	27,878	4,909	93,021
<b>Total expenses</b>	<b>\$ 3,232,941</b>	<b>\$ 888,076</b>	<b>\$ 150,033</b>	<b>\$ 4,271,050</b>

See accompanying notes to the financial statements.

**THE B TEAM HEADQUARTERS, INC.  
STATEMENT OF EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Salaries	\$ 992,347	\$ 154,920	\$ 157,991	\$ 1,305,258
Payroll taxes and benefits	187,620	44,487	44,562	276,669
Board related costs	26,250	8,750	-	35,000
Communications - production & design	35,842	8,831	-	44,673
Community development	57,156	3,494	1,123	61,773
Consultants & contractors	1,065,327	136,594	-	1,201,921
Event venue, travel & production	265,268	70,405	4,635	340,308
Grants to affiliate	677,644	-	-	677,644
Insurance	4,874	11,242	120	16,236
Office supplies and expenses	3,759	90,628	439	94,826
Professional fees	710	45,943	-	46,653
Recruitment and training	967	47,026	-	47,993
Rent and utilities	60,695	45,395	13,550	119,640
Strategy development	56,281	-	-	56,281
Telephone and communications	7,215	10,233	3,510	20,958
Travel and meetings	170,813	31,243	20,306	222,362
Uncollectible receivables	-	166,667	-	166,667
<b>Total expenses</b>	<b>\$ 3,612,768</b>	<b>\$ 875,858</b>	<b>\$ 246,236</b>	<b>\$ 4,734,862</b>

**See accompanying notes to the financial statements.**

**THE B TEAM HEADQUARTERS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 389,229	\$ 35,982
Adjustments for non-cash items included in operating activities:		
Uncollectible receivables	-	166,667
Changes in assets and liabilities:		
Program revenue and other receivables	1,762	(17,044)
Contributions receivable	(333,805)	427,974
Prepaid expenses	7,353	3,383
Accounts payable & accrued expenses	(3,060)	(260,131)
Deferred revenue	(292,687)	(256,293)
Net cash provided/(used) by operating activities	<u>(231,208)</u>	<u>100,538</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(231,208)	100,538
Cash and cash equivalents at beginning of year	<u>1,680,329</u>	<u>1,579,791</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,449,121</u></u>	<u><u>\$ 1,680,329</u></u>

**See accompanying notes to the financial statements.**



**THE B TEAM HEADQUARTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

The B Team Headquarters, Inc. (Organization), a not-for-profit organization, was incorporated in the State of Delaware on January 18, 2013. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from program service revenue and contributions.

The Organization's primary purpose is to catalyze a movement of business leaders driving a better way of doing business, for the well-being of people and the planet. The Organization is a global group of leaders working together to redefine the role business leaders play in accelerating just and sustainable development by focusing on meeting ten systemic challenges that will create transformative shifts in not only how, but also why, we do business.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in Accounting Principle

On January 1, 2019, the Organization adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* using the full retrospective approach. Analysis of various provisions of the standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less.

**THE B TEAM HEADQUARTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries & related expenses and consultants & contractors based on estimated time and effort and occupancy and telephone based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**THE B TEAM HEADQUARTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization recognizes contributions when an unconditional pledge is made. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. At December 31, 2019 and 2018, contributions totaling \$2,963,981 and \$2,426,977, respectively, have not been recognized in the accompanying statements of activities because the conditions on which they depend have not been met. The recognition of these contributions is conditioned upon the Organization meeting certain program goals. Amounts received prior to meeting these conditions are reported as deferred revenue in the statements of financial position. At December 31, 2019 and 2018, advance payments of \$422,148 and \$714,835, respectively, are reported as deferred revenue.

The Organization recognizes program service revenue from fees received for research and consulting work and speaking engagements during the year in which the related services are provided. The performance obligation of providing the services is simultaneously received and consumed; therefore, the revenue is recognized as the service is performed. All amounts received prior to the commencement of the services are deferred to the applicable period.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Bank deposits and cash	\$ 713,648	\$ 298,631
Money market funds	<u>735,473</u>	<u>1,381,698</u>
	<u>\$1,449,121</u>	<u>\$1,680,329</u>

Note 3 - Concentrations

The Organization maintains its bank accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balances of the accounts exceeded the insured limits during the years ending December 31, 2019 and 2018.

**THE B TEAM HEADQUARTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Net Assets – Without and With Donor Restrictions**

The Board of Directors of the Organization agreed to set aside net assets without donor restrictions for an operating reserve fund. At December 31, 2019 and 2018, the operating reserve fund was \$1,000,000 and \$1,250,000, respectively. At December 31, 2019 and 2018, the Organization had the following net assets without donor restrictions:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 143,695	\$ -
Board designated – operating reserve	<u>1,000,000</u>	<u>614,206</u>
Total net assets without donor restrictions	<u>\$1,143,695</u>	<u>\$ 614,206</u>

As of December 31, 2019 and 2018, net assets with donor restrictions are available in future years as follows:

	<u>2019</u>	<u>2018</u>
Net-Zero by 2050	\$ 106,308	\$ 93,384
100% Human Network	<u>7,536</u>	<u>160,720</u>
Total net assets with donor restrictions	<u>\$ 113,844</u>	<u>\$ 254,104</u>

**Note 5 - Revenue from Contracts with Customers**

All of the revenue derived from contracts with customers during 2019 and 2018 was fully earned in the same annual reporting period. Detail of revenue from contracts with customers during the years ended December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Research & consulting services	\$ 60,707	\$ 95,027
Speaking engagements	56,000	-

**Note 6 - Donated Services and Facilities**

Significant services and facilities were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported on the accompanying statements of activities for the years ended December 31, 2019 and 2018 amounted to \$277,233 and \$642,922, respectively. Contributions in-kind that are included in the financial statements consisted of various programmatic consulting work, free travel and accommodations, event space, and catering.

**Note 7 - Related Parties**

During the year ended December 31, 2018, a board member of the Organization was paid \$35,000 as an honorarium.

During the years ended December 31, 2019 and 2018, the Organization made payments to or on behalf of an affiliated registered company in the United Kingdom totaling \$1,403,933 and \$677,644, respectively.

**THE B TEAM HEADQUARTERS, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 8 - Pension Plan

In 2014, the Organization adopted a qualified deferred compensation plan under section 403(b) of the Internal Revenue Code. Under the plan, employees may elect to defer up to twenty percent (20%) of their salary, subject to Internal Revenue Service limits. The plan calls for discretionary employer matching contributions and/or profit-sharing contributions. Employees are eligible for the plan on their first day of employment. Participants are automatically 100% vested in the salary reduction amounts contributed to the plan. Employer contributions to participant accounts vest over three years. During the years ended December 31, 2019 and 2018, the Organization contributed \$33,105 and \$0, respectively, to the pension plan.

Note 9 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. As part of the Organization's liquidity plan, the Board of Directors has set aside an operating reserve fund (see Note 4) with the objective of having funds to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$1,449,121	\$1,680,329
Receivables	<u>372,780</u>	<u>40,737</u>
Total financial assets	1,821,901	1,721,066
Less those unavailable for general expenditures within one year:		
Board-designated operating reserves	<u>(1,000,000)</u>	<u>(1,250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 821,901</u>	<u>\$ 471,066</u>

Note 10 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through April 28, 2020, which is the date the financial statements were available to be issued.