

GOODS FOR GOOD, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Goods For Good, Inc.

We have audited the accompanying financial statements of Goods For Good, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goods For Good, Inc. as of December 31, 2014 and 2013, 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.



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INDEPENDENT AUDITORS' REPORT (Continued)

To the Board of Directors of
Goods For Good, Inc.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Adelman Katz + Mond LLP

New York, NY
February 24, 2015

GOODS FOR GOOD, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 460,191	\$ 344,659
Pledges receivable (Note 2)	103,955	20,000
Prepaid expenses	<u>9,218</u>	<u>8,438</u>
Total Current Assets	<u>573,364</u>	<u>373,097</u>
OTHER ASSETS		
Fixed assets (net of depreciation) (Note 3)	26,096	55,688
Loan receivable	915	915
Security deposit	16,419	15,927
Advance	<u>-0-</u>	<u>7,000</u>
Total Other Assets	<u>43,430</u>	<u>79,530</u>
INTANGIBLE ASSETS		
Website development costs	18,000	18,000
Less: accumulated amortization	<u>16,662</u>	<u>13,986</u>
Total Intangible Assets	<u>1,338</u>	<u>4,014</u>
	<u>\$ 618,132</u>	<u>\$ 456,641</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 7,584	\$ 14,316
Loan from directors (Note 6)	<u>19,541</u>	<u>19,541</u>
Total Current Liabilities	<u>27,125</u>	<u>33,857</u>
NET ASSETS		
Unrestricted	487,052	402,784
Temporarily restricted	<u>103,955</u>	<u>20,000</u>
Total Net Assets	<u>591,007</u>	<u>422,784</u>
	<u>\$ 618,132</u>	<u>\$ 456,641</u>

See independent auditors' report and notes to financial statements.

GOODS FOR GOOD, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	Unrestricted	Temporarily Restricted	2014 Total	Unrestricted	Temporarily Restricted	2013 Total
SUPPORT AND REVENUE						
Cash contributions	\$ 519,430	\$ 93,955	\$ 613,385	\$ 255,860	\$ -	\$ 255,860
In-kind contributions	82,707	-	82,707	76,050	-	76,050
Total Contributions	602,137	-	696,092	331,910	-	331,910
Fundraiser receipts	546,701	-	546,701	537,052	-	537,052
Less: fundraiser expenses	(70,403)	-	(70,403)	(60,681)	-	(60,681)
Net Fundraiser Receipts	476,298	-	476,298	476,371	-	476,371
Interest income	233	-	233	148	-	148
Loss on sale of fixed asset	-	-	-	(3,627)	-	(3,627)
	1,078,668	93,955	1,172,623	804,802	-	804,802
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of program restrictions	10,000	(10,000)	-	10,000	(10,000)	-
	1,088,668	83,955	1,172,623	814,802	(10,000)	804,802
Total Support and Revenue						
	1,088,668	83,955	1,172,623	814,802	(10,000)	804,802
EXPENSES						
Distributed goods	82,707	-	82,707	319,261	-	319,261
Personnel	351,491	-	351,491	305,914	-	305,914
Transportation	35,861	-	35,861	21,476	-	21,476
Occupancy	83,770	-	83,770	80,871	-	80,871
Office expense	21,696	-	21,696	29,003	-	29,003
Professional services	29,191	-	29,191	39,073	-	39,073
Promotional activities	21,371	-	21,371	22,567	-	22,567
Insurance	4,384	-	4,384	-	-	-
Depreciation	33,607	-	33,607	28,887	-	28,887
Other	2,633	-	2,633	1,019	-	1,019
Program expenses	337,689	-	337,689	219,676	-	219,676
	1,004,400	-	1,004,400	1,067,747	-	1,067,747
Total Expenses						
	1,004,400	-	1,004,400	1,067,747	-	1,067,747
CHANGES IN NET ASSETS						
	84,268	83,955	168,223	(252,945)	(10,000)	(262,945)
NET ASSETS - BEGINNING OF YEAR						
	402,784	20,000	422,784	655,729	30,000	685,729
NET ASSETS - END OF YEAR						
	\$ 487,052	\$ 103,955	\$ 591,007	\$ 402,784	\$ 20,000	\$ 422,784

See independent auditors' report and notes to financial statements.

GOODS FOR GOOD, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 168,223	(\$ 262,945)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,607	28,887
Loss on sale of fixed assets	-0-	3,627
Changes in assets and liabilities:		
Pledges receivable	(83,955)	10,000
Inventory	-0-	243,212
Prepaid expenses	(780)	12,080
Advance	7,000	(7,000)
Accounts payable and accrued expenses	(6,732)	2,196
Net Cash Provided by Operating Activities	<u>117,363</u>	<u>30,057</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,339)	(52,700)
Payments for intangible assets	-0-	(7,000)
Security deposit	(492)	(477)
Proceeds on sale of fixed assets	<u>-0-</u>	<u>7,706</u>
Net Cash Used in Investing Activities	<u>(1,831)</u>	<u>(52,471)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments to director	<u>-0-</u>	<u>(9,771)</u>
NET INCREASE (DECREASE) IN CASH	115,532	(32,185)
CASH - BEGINNING OF YEAR	<u>344,659</u>	<u>376,844</u>
CASH - END OF YEAR	<u>\$ 460,191</u>	<u>\$ 344,659</u>

See independent auditors' report and notes to financial statements.

GOODS FOR GOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Goods For Good, Inc. (the "Organization") is a non-profit organization established in 2006 and formed solely for charitable and educational purposes. As an institution, Goods For Good, Inc. empowers communities in Malawi to support orphans and other children in need. The Organization meets the immediate needs of these children while partnering with local community centers to strengthen their skills and build businesses for sustained impact. This three-pronged approach addresses the urgent needs of the children while enabling communities to provide for them in the long run.

The Organization has been determined by the Internal Revenue Service to be a publicly supported charitable organization as described in Section 170(b)(1)(a)(vi), 501(c)(3) of the Internal Revenue Code. The Organization relies upon public support from business entities and individuals alike.

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting. Legally enforceable pledges less an allowance for uncollectible amounts, if any, are recorded as receivable in the year made.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Fixed Assets

Fixed assets are recorded in the financial statements at cost. Significant improvements and betterments made to fixed assets are capitalized, whereby incidental repairs are expensed. Depreciation is provided for in the financial statements based upon the estimated useful lives of the corresponding assets.

GOODS FOR GOOD, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

Pledges Receivable

The pledges receivable of \$103,955 at December 31, 2014 are expected to be fully collected and represent future funds to be received. Pledges receivable, both conditional and unconditional, are recognized upon initial receipt of funds.

Once the Organization is reasonably assured as to the validity of pledges, as evidenced by initial collection, it recognizes the balance of the pledge in the current period. The Organization treats pledges receivable as temporarily restricted support. Once pledges are actually collected they are reclassified as unrestricted support.

Contributions

Goods for Goods, Inc. accounts for the donation of goods and other in-kind donations as unrestricted contributions at the value assigned to them by the respective donor organizations. All donated goods are added to inventory until they are distributed to programs and accounted for as a distributed goods expense on the statement of operations. This method of accounting for donated goods can lead to large fluctuations in unrestricted contributions, as evidenced by comparing 2006 and 2007.

During 2013 the Organization completed its change of strategic focus away from re-purposing surplus goods and towards its Community Enterprise initiative. As a result, substantially all of the inventory on hand as of December 31, 2012 was distributed to beneficiaries in 2013, while only a limited amount of new goods donations were received. This imbalance of goods received as compared to goods distributed, contributed to a significant decline in Net Assets during 2013. As this imbalance was due a strategic shift, the below table is included to show the impact of the imbalance on the Organization's results.

The following table provides additional clarity on the cash vs. in-kind nature of contributions and expenses as of December 31,

	2014	2013
Cash support and revenue	\$ 1,160,086	\$ 789,433
Cash expenses	992,095	748,486
Increase in Cash Net Assets	<u>\$ 167,991</u>	<u>\$ 40,947</u>
In-kind support and revenue	\$ 82,707	\$ 76,050
In-kind expenses	82,707	319,261
Decrease in In-Kind Net Assets	<u>\$ -0-</u>	<u>(\$ 243,211)</u>

GOODS FOR GOOD, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these amounts.

Expense Allocation

The costs of providing programs have been summarized on a functional basis in the Statement of Functional Expenses. General and administration expenses include those expenses that are not directly identifiable with another specific function but provide for the overall support and direction of the Organization.

Inventory

The Organization accounts for the donation of goods and other in-kind donations as unrestricted contributions at the value assigned to them by the respective donor organizations, which approximates lower of cost or market valuation. All donated goods are added to inventory until they are distributed to programs and accounted for as a distributed goods expense on the statement of activities.

Donated Time

A number of unpaid volunteers and board members have made contributions of their time to develop the Organization. The contributed time, the fair market value of which has not been reflected in these financial statements.

2. PLEDGES RECEIVABLE

The collection of pledges receivable are all due from contributors over the next two years, as follows:

	<u>Amount</u>
2015	\$ 67,500
2016	<u>36,455</u>
	<u>\$ 103,955</u>

3. FIXED ASSETS

Fixed assets consist of the following, as of December 31,

	<u>2014</u>	<u>2013</u>
Vehicles	\$ 119,004	\$ 119,004
Furniture and equipment	4,139	2,800
Leasehold improvements	<u>2,521</u>	<u>2,521</u>
	125,664	124,325
Less: accumulated depreciation	(99,568)	(68,637)
	<u>\$ 26,096</u>	<u>\$ 55,688</u>

GOODS FOR GOOD, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2014

4. CONCENTRATION OF CREDIT RISK

Cash in banks, based on bank balances, exceeded the Federal Deposit Insurance Corporation insured limit as of December 31, 2014 by \$113,226.

5. LEASE

The Organization occupies premises under an operating lease for a five-year period effective June 1, 2010.

Minimum future rental payments pursuant to the lease agreement are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2015	<u>\$ 28,140</u>

6. LOAN FROM DIRECTORS

During 2010, the Organization received \$40,000 from two directors for programs and operations. The loan is non-interest bearing and is payable on demand per agreement. During 2013, the directors forgave a portion of the loan, which is reflected in the revenue section of the statements of activities. As of December 31, 2014 the balance is \$19,541.

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through February 24, 2015, which is the date the financial statements were available to be issued. As of February 24, 2015, there are no subsequent events which require separate disclosure.

GOODS FOR GOOD, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

PROGRAM OPERATIONS

	Community Enterprise	Pens for Progress	Shoes for Success	Tailoring	Programs General	Total Program Operations	Management and Administration	Fundraising and Fundraising	Total Expenses
Awards and grants	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 135	\$ 135	\$ 28	\$ 36	\$ 199
Business expenses	-0-	-0-	-0-	-0-	1,149	1,149	240	306	1,695
Contract services	1,155	-0-	-0-	-0-	13,380	14,535	3,817	4,380	22,732
Facilities and equipment	6,997	-0-	-0-	-0-	52,052	59,049	10,864	13,858	83,771
Operations	110	-0-	-0-	-0-	14,491	14,601	3,238	3,858	21,697
Other types of expenses	-0-	-0-	-0-	-0-	5,481	5,481	1,117	1,460	8,058
Promotional expenses	-0-	-0-	-0-	-0-	16,487	16,487	3,450	4,390	24,327
Payroll expenses	-0-	-0-	-0-	-0-	241,555	241,555	48,377	61,560	351,492
Travel and meetings	982	-0-	-0-	-0-	24,022	25,004	5,026	6,396	36,426
Depreciation	33,607	-0-	-0-	-0-	-0-	33,607	-0-	-0-	33,607
Program expenses	284,014	-0-	82,707	11,825	28,896	407,442	5,700	7,254	420,396
	\$ 326,865	\$ -0-	\$ 82,707	\$ 11,825	\$ 397,648	\$ 819,045	\$ 81,857	\$ 103,498	\$ 1,004,400

GOODS FOR GOOD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

PROGRAM OPERATIONS

	Community Enterprise	Pens for Progress	Shoes for Success	Tailoring	Programs General	Total Program Operations	Management and Administration	Fundraising and Fundraising	Total Expenses
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Awards and grants	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Business expenses	-0-	-0-	-0-	-0-	695	695	149	175	1,019
Contract services	335	-0-	-0-	-0-	24,373	24,708	5,243	6,138	36,089
Facilities and equipment	7,477	-0-	-0-	-0-	50,033	57,510	10,762	12,600	80,872
Operations	1,936	248	-0-	1,045	11,148	14,377	2,398	2,808	19,583
Other types of expenses	3,312	-0-	-0-	-0-	4,163	7,475	896	1,048	9,419
Promotional expenses	-0-	-0-	-0-	-0-	15,384	15,384	3,309	3,874	22,567
Payroll expenses	54,211	-0-	-0-	14	171,575	225,800	36,905	43,209	305,914
Subcontractors	2,766	1	-0-	215	-0-	2,982	-0-	-0-	2,982
Travel and meetings	8,207	668	-0-	300	8,385	17,560	1,804	2,112	21,476
Depreciation	28,887	-0-	-0-	-0-	-0-	28,887	-0-	-0-	28,887
Program expenses	202,880	244,300	76,049	15,710	-0-	538,939	-0-	-0-	538,939
	\$ 310,011	\$ 245,217	\$ 76,049	\$ 17,284	\$ 285,756	\$ 934,317	\$ 61,466	\$ 71,964	\$ 1,067,747