



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

GREATERGOOD.ORG

June 30, 2019 and 2018



MOSSADAMS

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Report of Independent Auditors

To the Board of Directors
GreaterGood.org

Report on the Financial Statements

We have audited the accompanying financial statements of GreaterGood.org (the Organization), which comprise the statements of financial position as of June 30, 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.

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Principle

As discussed in Note 11 to the financial statements, during the year ended June 30, 2019, GreaterGood.org adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Mon Adam LLP". The signature is written in a cursive, flowing style.

Seattle, Washington
June 8, 2020

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Statements of Financial Position

ASSETS

	June 30,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 917,102	\$ 4,311,021
Short-term investments	2,588,300	745,040
Accounts receivable, net	2,299,017	1,428,159
Donated goods inventory	447,393	433,608
Prepaid expenses	143,839	66,688
	<u>6,395,651</u>	<u>6,984,516</u>
Total current assets		
Long-term investments	49,130	283,132
Fixed assets, net	163,479	157,227
	<u>212,609</u>	<u>440,359</u>
Total non-current assets		
Total assets	<u>\$ 6,608,260</u>	<u>\$ 7,424,875</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and other current liabilities	\$ 305,396	\$ 369,002
Grants payable	238,983	375,668
Deferred revenue	-	15,000
	<u>544,379</u>	<u>759,670</u>
Total liabilities		
NET ASSETS		
Without donor restrictions	1,731,502	1,881,156
With donor restrictions	4,332,379	4,784,049
	<u>6,063,881</u>	<u>6,665,205</u>
Total net assets		
Total liabilities and net assets	<u>\$ 6,608,260</u>	<u>\$ 7,424,875</u>

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Statement of Activities

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
In-kind donations	\$ 51,721,331	\$ -	\$ 51,721,331
Donations	9,377,110	32,935	9,410,045
Royalties	362,838	-	362,838
Handling fees	954,668	-	954,668
Interest and dividends	17,575	-	17,575
Unrealized gains on investments	23,714	-	23,714
Realized gains on investments	22,817	-	22,817
Loss on disposal of assets	(78,651)	-	(78,651)
Net assets released from restriction	484,605	(484,605)	-
Total operating revenue and other support	62,886,007	(451,670)	62,434,337
EXPENSES			
Program	60,865,899	-	60,865,899
Fundraising	1,149,876	-	1,149,876
Management and general	1,019,886	-	1,019,886
Total expenses	63,035,661	-	63,035,661
Total change in net assets	(149,654)	(451,670)	(601,324)
NET ASSETS, beginning of year	1,881,156	4,784,049	6,665,205
NET ASSETS, end of year	\$ 1,731,502	\$ 4,332,379	\$ 6,063,881

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Statement of Activities

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
In-kind donations	\$ 39,505,916	\$ -	\$ 39,505,916
Donations	8,711,904	102,007	8,813,911
Royalties	1,637,298	-	1,637,298
Handling fees	1,037,817	-	1,037,817
Interest and dividends	345	-	345
Unrealized gains on investments	1,868	-	1,868
Gain on disposal of equipment	1,831	-	1,831
Net assets released from restriction	681,984	(681,984)	-
Total operating revenue and other support	51,578,963	(579,977)	50,998,986
EXPENSES			
Program	50,742,172	-	50,742,172
Fundraising	722,443	-	722,443
Management and general	627,565	-	627,565
Total expenses	52,092,180	-	52,092,180
Total change in net assets	(513,217)	(579,977)	(1,093,194)
NET ASSETS, beginning of year	2,394,373	5,364,026	7,758,399
NET ASSETS, end of year	\$ 1,881,156	\$ 4,784,049	\$ 6,665,205

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Statement of Functional Expenses

	Year Ended June 30, 2019			
	Program	Fundraising	Management and General	Total
Cash grants to other organizations	\$ 4,275,885	\$ -	\$ -	\$ 4,275,885
Marketing	60,065	448,687	55,601	564,353
Wage and fringe	2,475,290	519,434	572,327	3,567,051
Contract labor	191,081	2,908	4,129	198,118
Travel and entertainment	266,948	12,437	69,518	348,903
Accounting	-	-	67,826	67,826
Professional fees - legal	6,851	-	50,365	57,216
Professional fees - programming and developer	36,668	-	19,180	55,848
Bank service charges	33,883	51,232	18,253	103,368
Supplies	374,161	529	9,726	384,416
Dues and subscriptions	122,203	47,615	1,720	171,538
Taxes and licenses	1	-	9,329	9,330
Communications	12,638	86	5,952	18,676
Conferences and meetings	4,568	818	-	5,386
Rent	36,030	10,641	80,888	127,559
In-kind grants to other organizations	51,663,413	-	-	51,663,413
Postage	15,746	25,167	2,012	42,925
Printing	12,869	22,573	4,085	39,527
Insurance	59	4,106	29,208	33,373
Logistics	1,061,556	-	-	1,061,556
Training and education	1,800	3,287	899	5,986
Depreciation and amortization	18,310	356	18,868	37,534
Bad debt	195,874	-	-	195,874
Total expenses	<u>\$60,865,899</u>	<u>\$ 1,149,876</u>	<u>\$ 1,019,886</u>	<u>\$ 63,035,661</u>

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Statement of Functional Expenses

	Year Ended June 30, 2018			
	Program	Fundraising	Management and General	Total
Cash grants to other organizations	\$ 4,421,454	\$ -	\$ -	\$ 4,421,454
Marketing	56,114	197,152	1,981	255,247
Wage and fringe	1,994,310	341,791	394,933	2,731,034
Contract labor	132,115	-	15,086	147,201
Travel and entertainment	222,736	14,057	38,957	275,750
Accounting	-	-	38,680	38,680
Professional fees - legal	30,673	-	2,745	33,418
Professional fees - programming and developer	1,915	12,231	9,000	23,146
Bank service charges	49,013	42,164	20,422	111,599
Supplies	237,041	664	2,314	240,019
Dues and subscriptions	32,534	43,996	1,027	77,557
Taxes and licenses	50	-	8,196	8,246
Communications	12,514	8	4,605	17,127
Conferences and meetings	5,751	3,330	-	9,081
Rent	49,957	9,319	52,810	112,086
In-kind grants to other organizations	39,594,448	-	-	39,594,448
Postage	8,381	26,885	613	35,879
Printing	6,603	27,841	736	35,180
Insurance	141	2,342	26,182	28,665
Logistics	1,171,718	-	-	1,171,718
Training and education	288	-	-	288
Depreciation and amortization	12,313	663	9,278	22,254
Bad debt	2,702,103	-	-	2,702,103
Total expenses	\$50,742,172	\$ 722,443	\$ 627,565	\$ 52,092,180

GreaterGood.org
Statements of Cash Flows

	Years Ended June 30,	
	2019	2018
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Change in net assets	\$ (601,324)	\$ (1,093,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	37,534	22,254
Net realized and unrealized gains on investments	(46,531)	(1,868)
Net loss (gain) on disposal of assets	78,651	(1,831)
Change in accounts receivable allowance	193,282	2,679,452
Changes in operating assets and liabilities		
Accounts receivable	(1,064,140)	(865,497)
Inventory	(13,785)	(106,723)
Prepaid expenses	(77,151)	122
Accounts payable and other current liabilities	(215,291)	468,788
Net cash (used in) from operating activities	(1,708,755)	1,101,503
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(5,577,550)	(1,026,304)
Proceeds from sale of investments	4,014,823	-
Purchase of furniture and equipment	(125,709)	(27,835)
Proceeds from sale of furniture and equipment	3,272	8,525
Net cash used in investing activities	(1,685,164)	(1,045,614)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,393,919)	55,889
CASH AND CASH EQUIVALENTS, beginning of year	4,311,021	4,255,132
CASH AND CASH EQUIVALENTS, end of year	\$ 917,102	\$ 4,311,021
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Donation of items held in inventory	\$ 447,393	\$ 433,608

Note 1 – Operations and Summary of Significant Accounting Policies

GreaterGood.org (the Organization) is an independent charitable organization devoted to improving the health and well-being of people, animals, and the planet. The Organization distributes funds generated through the direct donations, grants, various fundraising platforms and corporate sponsorships, to nonprofit partners responsible for addressing the Organization's causes. This funding includes internal programs and grants to worthwhile organizations dedicated to the welfare of the global community. The Organization's causes include hunger and poverty, breast cancer and women's health, children's health and well-being, literacy and children's education, protecting and restoring the environment, and care and feeding of rescued animals.

Basis of accounting – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets on which there are no donor-imposed restrictions for use, or such donor-imposed restrictions were met in the year of gift.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Expirations of restrictions met in the year of gift are reported as net assets without donor restrictions.

Cash and cash equivalents – The Organization considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Accounts receivable – Accounts receivable is comprised of trade receivables and donations receivables. The balance of trade receivables at June 30, 2019 and 2018, was \$155,107 and \$62,340, respectively. Accounts receivable are stated at the amount management expects to collect from outstanding balances in less than one year. Receivable allowances are established for uncertain collectibles as determined necessary. Receivable allowance balance at June 30, 2019 and 2018 was \$2,872,734 and \$2,679,452, respectively. See Note 8 for further discussion. All amounts are due within one year of June 30, 2019, thus no discount is recorded.

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Notes to the Financial Statements

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Investments – Investments are stated at fair value determined by quoted market prices. They consist primarily of debt, equity, mutual funds and certificate of deposit investments. These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the statement of financial position. See Note 7 for additional disclosure regarding investment valuation.

Fixed assets – The Organization capitalizes assets with a cost greater than \$1,000 and estimated useful life of more than one year. Smaller, like-kind assets purchased at the same time for an aggregate cost greater than \$1,000 and estimated useful life of more than one year will also be capitalized. Purchased assets are carried at cost. Donated property is recorded at fair value when received. Land assets are stated at cost and are not depreciated. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Equipment	3–5 years
Vehicles	5–10 years
Software	5–7 years

Gifts of capital assets are reported as donations without donor restrictions, unless explicit donor stipulations require otherwise. Fixed assets as of June 30, 2019 and 2018, consisted of purchased and donated vehicles as well as software under development for an application that will support the Organization's programs and assist with the tracking of inventory, computer equipment, and office furniture. This software asset development was disposed of during 2019.

Donated goods inventory – Donated goods are recorded as in-kind donations at estimated fair values at the date of donation. Donated goods inventory consists of donated pet food and various pet supplies.

Donations – The Organization's cash donations consist of donations, royalties and handling fees. Donations are received from individuals, corporations and foundations through online platforms and direct mail. Donations received from corporations based on incentivized consumer behavior is recorded as royalties. Handling fees is program service revenue related to the handling and storage of in-kind donations. Donations and royalties revenue is recognized when the donation is received. Handling fees are recognized when the related in-kind donations have been transferred or services rendered. In-kind donations are recognized when goods and services are donated or when an unconditional promise is made. Conditional promises to give are not recorded as revenue until such donor conditions are met. Direct donor donations, donated professional services, materials, and facilities may include restrictions for time or purpose depending on the existence or nature of any donor restrictions and are therefore recorded based on the existence or absence of donor restrictions.

In-kind donations – The Organization received donated pet food, pet medication and supplements, pet supplies, advertising, books, apparel, shoes and wildlife cameras. For the years ended June 30, 2019 and 2018, in-kind donations were \$51,721,331 and \$39,505,916, respectively. Included in that amount is \$118,433 and \$426,182, respectively, of contributed advertising services used to help generate donations for all programs.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Federal income taxes – The Internal Revenue Service has recognized the Organization as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. Any unrelated business income generated is not significant; therefore, no provision for income taxes has been recorded. The Company follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. Management does not believe the Organization has an uncertain tax position as of and for the years ended June 30, 2019 and 2018.

Concentrations – For the years ended June 30, 2019 and 2018, 100% of the Organization's royalty revenues were from two donors.

For the year ended June 30, 2019, two donors comprised 22% of the Organization's in-kind donations and there were no handling fees revenue concentrations.

For the year ended June 30, 2018, three donors comprised 71% of the Organization's in-kind donations and one donor comprised 36% of the Organization's handling fees revenue.

Allocation of functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis on the statement of activities and changes in net assets. Certain costs are allocated between program services and support services based on management's judgement considering space used, time spent or direct relation to the program or support service benefited. Costs specifically identifiable to only one function are charged 100% to that function.

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions. These affect the reported amounts of assets, liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Subsequent events – The Organization's management has evaluated subsequent events through June 8, 2020, the date on which the financial statements were available to be issued.

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Notes to the Financial Statements

Note 2 – Fixed Assets

Fixed assets consisted of the following at June 30:

	2019	2018
Vehicles	\$ 125,929	\$ 59,605
Land	23,000	-
Camera equipment	1,404	-
Computer equipment	71,124	45,541
Software development in progress	-	79,500
Fixtures and furniture	4,953	3,208
Total fixed assets	226,410	187,854
Less accumulated depreciation	(62,931)	(30,627)
Total fixed assets, net	\$ 163,479	\$ 157,227

Note 3 – Related-Party Transactions

The Organization shared facilities, equipment, and staff support with CharityUSA.com during the years ended June 30, 2019 and 2018. The Executive Director of the Organization served as the Vice President of Business Development of CharityUSA.com through July 2017. CharityUSA.com owns and operates the GreaterGood Network of websites and facilitates the collection of donations through those sites on behalf of the Organization. During the years ended June 30, 2019 and 2018, the Organization made payments totaling \$945,169 and \$2,422,331, respectively, to CharityUSA.com for the reimbursement of employee salaries and benefits paid on behalf of the Organization, rent expenses, accounting services, supplies, and bank expenses. With continued growth over time, the intent of the Organization is to pay all employee salaries and benefits, rent expenses, accounting services, supplies and bank expenses directly, working towards eliminating the reimbursement payments to CharityUSA.com.

The Organization entered into a royalty agreement with CharityUSA.com effective January 1, 2007 through December 31, 2011, and amended it on June 30, 2011, to extend through July 1, 2017, that granted CharityUSA.com a nonexclusive license to use the name and/or logo of the Organization in connection with the sale of CharityUSA.com products. Effective June 30, 2017, the Organization extended this royalty agreement with no effective termination date until written notice of termination by either party. The Organization receives royalties from advertising on the website and royalties based on the sale of merchandise sold by CharityUSA.com.

The Organization received \$103,984, approximately less than 1%, of its total revenue from the royalty agreement with CharityUSA.com during the year ended June 30, 2019. The Organization received \$1,176,242, approximately 2%, of its total revenue from the royalty agreement with CharityUSA.com during the year ended June 30, 2018.

Note 3 – Related-Party Transactions (continued)

The Organization received \$3,101,193 of in-kind donations, approximately 5%, of its total revenue from CharityUSA.com during the year ended June 30, 2019. The Organization received \$86,059 of in-kind donations, approximately less than 1%, of its total revenue from subsidiaries of CharityUSA.com during the year ended June 30, 2018.

The Organization received \$35,000 of cash donations, approximately less than 1%, of its total revenue from CharityUSA.com during the year ended June 30, 2019. No cash donations were received from CharityUSA during the year ended June 30, 2018.

The Organization entered into a royalty agreement with HomeLife Media effective November 1, 2017, through November 1, 2019. The Organization receives royalties from advertising on the website and royalties based on the sale of merchandise sold by HomeLife Media.

The Organization received \$258,854, approximately less than 1%, of its total revenue from the royalty agreement with HomeLife Media during the year ended June 30, 2019. The Organization received \$461,056, or approximately 1% of its total revenue from the royalty agreement with HomeLife Media during the year ended June 30, 2018.

The Organization received \$129,867 of in-kind donations, or approximately less than 1% of its total revenue from HomeLife Media during the year ended June 30, 2019. No in-kind donations were received from HomeLife Media during the year ended June 30, 2018.

No cash donations were received from HomeLife Media during the years ended June 30, 2019 and 2018.

During the year ended June 30, 2019, the Organization received donations of \$138,500 from four of its board members. During the year ended June 30, 2018, the Organization received donations of \$175,000 from three of its board members.

Note 4 – Lease Commitments

CharityUSA.com leases two facilities on behalf of the Organization. Total rent expense is passed through to the Organization on a monthly basis. CharityUSA.com does not have employees in the cities of these facilities and has only entered into the leases with the understanding that the Organization will make all payments. However, there is not a sublease agreement between the Organization and CharityUSA.com for these facilities.

Effective October 16, 2018, the Organization leased the Tucson facility with escalating monthly payments ranging from \$6,312 to \$7,103. The noncancelable lease expires on October 31, 2023. Rent expense for the years ended June 30, 2019 and 2018, totaled \$127,560 and \$112,086, respectively.

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Notes to the Financial Statements

Note 5 – Net Assets with and Without Donor Restrictions

Net assets without donor restriction include all assets (including property and equipment), liabilities, support, revenue and expenses, which are not restricted by donors and are available for current operations.

The Organization maintains no net assets with time restricted donations.

Net assets with donor restriction – purpose restricted at June 30 consist of the following:

	2019	2018
Restricted to purpose (program activities)		
Breast cancer and women's health	\$ 217,885	\$ 501,448
Literacy and children's education	136,185	337,226
Rescued animals	3,978,309	3,945,375
Total net assets with donor restriction - purpose	<u>\$ 4,332,379</u>	<u>\$ 4,784,049</u>

Note 6 – Jackson Galaxy Merger

Effective September 1, 2017, the Organization merged with the Jackson Galaxy Foundation (the Foundation). The Organization acquired 100% ownership in the Foundation, which carried a fair value of assets of \$92,177. The merger was recognized as a donation and was included in donations on the statement of activities for the year ended June 30, 2018.

Note 7 – Fair Values

The Organization applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The ASC describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 7 – Fair Values (continued)

The following table presents assets that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy as of June 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Domestic				
Treasury bonds	<u>\$ 2,333,373</u>	<u>\$ 2,333,373</u>	<u>\$ -</u>	<u>\$ -</u>
Total debt securities	<u>2,333,373</u>	<u>2,333,373</u>	<u>-</u>	<u>-</u>
Equity securities				
Domestic				
Stock	<u>27,982</u>	<u>27,982</u>	<u>-</u>	<u>-</u>
Foreign				
Stock	<u>21,148</u>	<u>21,148</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>49,130</u>	<u>49,130</u>	<u>-</u>	<u>-</u>
Mutual funds	<u>254,927</u>	<u>254,927</u>	<u>-</u>	<u>-</u>
Total investments	<u><u>\$ 2,637,430</u></u>	<u><u>\$ 2,637,430</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The following table presents assets that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy as of June 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Domestic				
Treasury bonds	<u>\$ 740,309</u>	<u>\$ 740,309</u>	<u>\$ -</u>	<u>\$ -</u>
Total debt securities	<u>740,309</u>	<u>740,309</u>	<u>-</u>	<u>-</u>
Equity securities				
Domestic				
Stock	<u>18,763</u>	<u>18,763</u>	<u>-</u>	<u>-</u>
Foreign				
Stock	<u>19,195</u>	<u>19,195</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>37,958</u>	<u>37,958</u>	<u>-</u>	<u>-</u>
Certificate of deposit	<u>249,905</u>	<u>249,905</u>	<u>-</u>	<u>-</u>
Total investments	<u><u>\$ 1,028,172</u></u>	<u><u>\$ 1,028,172</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Notes to the Financial Statements

Note 7 – Fair Values (continued)

Investments are presented in the statement of financial position as follows as of June 30, 2019 and 2018:

	2019	2018
Short-term investments	\$ 2,588,300	\$ 745,040
Long-term investments	49,130	283,132
	<u>\$ 2,637,430</u>	<u>\$ 1,028,172</u>

Investment income comprises the following as of June 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 17,575	\$ 345
Realized gains	22,817	-
Unrealized gains	23,714	1,868
	<u>\$ 64,106</u>	<u>\$ 2,213</u>

Note 8 – CharityUSA.com Receivable

At the end of fiscal year 2016, a receivable from CharityUSA.com was recorded in the amount of \$5,344,302. This amount was provided by CharityUSA.com as its liability for funds from public donations through the Gifts That Give More (GTGM) program and funds generated by CharityUSA.com based on product sales.

During fiscal years 2017 and 2018, the receivable was partially paid in the amount of \$2,664,850 beginning with all GTGM public donations. Given the delay in the receipts of internally generated donations from CharityUSA.com, the Organization's management decided to take a conservative approach by reserving against the remaining receivable balance. The Organization received \$193,282 in new royalties from CharityUSA.com during 2019. Given the uncertainty related to the older receivables, the Organization reserved the full amount of these new royalties bringing the balance of the allowance for doubtful accounts to \$2,872,734 and \$2,679,452 as of June 30, 2019 and 2018, respectively.

Note 9 – Wings of Rescue Agreement

Effective January 1, 2019, the Organization entered into a strategic alliance agreement with Wings of Rescue Inc. (WOR). WOR is a California nonprofit corporation. As part of this agreement, each party may engage in cooperatively managed and sponsored programs for which the Organization agrees to receive grants, donations, and gifts designated by the donors for use by WOR, and to convey those funds to WOR. In addition, the Organization may grant funds obtained from other sources to WOR. On the 15th of each month, the Organization will issue a grant to WOR for the donations raised during the prior month, net of fees for the online fundraising platform. The amount of funds granted to WOR were \$926,448 and \$1,026,782 for the years ended June 30, 2019 and 2018, respectively.

Note 10 – Liquidity and Availability

The Organization structures its financial assets to be available as its general expenses, liabilities and other obligations come due. As part of its liquidity management plan, the Organization invests cash in excess of its short-term operating requirements in various short-term investments; including certificate of deposits, money market mutual funds and short-term treasury instruments.

The following reflects the Organization's availability of financial assets as of the balance sheet date.

	2019	2018
Financial assets available for expenditure within a year		
Cash and cash equivalents	\$ 917,102	\$ 4,311,021
Other receivables and assets, net	2,890,249	1,928,455
Investments	2,588,300	745,040
Total financial assets available for expenditure within a year	6,395,651	6,984,516
Less assets unavailable for general expenditure		
Cash and investments with donor restrictions	2,520,182	1,625,245
Total financial assets available for general expenditure within one year	<u>\$ 3,875,469</u>	<u>\$ 5,359,271</u>

Note 11 – Change in Accounting Principles and Reclassifications

During fiscal year ending June 30, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statement for Not-For-Profit Entities*. ASU 2016-14 reduces the number of net assets from three to two: nets assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. This guidance also expands the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires internal and external investment expense to be shown net of investment returns.

The ASU has been retroactively applied to all periods presented, which resulted in reclassifying net asset categories, and presentation of investment revenues to be shown net of investment expense.

Note 12 – Subsequent Events

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of the pandemic, including how it may affect the Organization's future performance. Management has not yet determined or quantified the potential long-term financial impact. In April 2020, the Organization was granted a loan under the Paycheck Protection Program offered by the SBA under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a)(36) of the Small Business Act for \$686,950. The loan bears interest at 1% with no payments for the first 6 months. Monthly payments of principal and interest of \$38,666 begin in November 2020 and continue through maturity in April 2022, if required. The loan is subject to partial or full forgiveness if the Company: uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations and guidance. Given the uncertainty surrounding the forgiveness of the loan, the Company is unable to estimate the forgivable amount, if any, at this time.

