FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

1% FOR THE PLANET, INC.

DECEMBER 31, 2016

1% FOR THE PLANET, INC.

DECEMBER 31, 2016

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Independent Auditor's Report

To the Board of Directors of
1% for the Planet, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of 1% for the Planet, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 1% for the Planet, Inc., as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information - schedule of functional expenses 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 audits 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.

Gallagher, Flynn & Company, LLP

November 3, 2017

1% FOR THE PLANET, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 574,265
Accounts receivable	63,388
Pledges receivable	114,045
Prepaid expenses and other current assets	41,053
	792,751
PROPERTY AND EQUIPMENT, at cost, net	11,721
WEBSITE DEVELOPMENT COSTS, at cost	46,500
	$ 850,972

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	$ 43,414
Accrued expenses	23,742
Deferred revenue	122,514
Total liabilities	189,670
NET ASSETS	
Temporarily restricted	144,045
Unrestricted	517,257
	661,302
	$ 850,972

The accompanying notes are an integral part of these statements.

1% FOR THE PLANET, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Membership dues	$ 1,011,126	$ -	$ 1,011,126
Contributions and foundation grants	473,389	144,045	617,434
Other	4,685	-	4,685
Net assets released from restrictions	75,000	(75,000)	-
Total revenue	1,564,200	69,045	1,633,245
EXPENSES			
Program	1,078,439	-	1,078,439
Supporting:			
Fundraising	190,480	-	190,480
Management and general	137,584	-	137,584
Total supporting services	328,064	-	328,064
Total expenses	1,406,503	-	1,406,503
INCREASE IN NET ASSETS	157,697	69,045	226,742
NET ASSETS, beginning of year, as originally stated	419,821	75,000	494,821
Prior period adjustment	(60,261)	-	(60,261)
NET ASSETS, beginning of year, as restated	359,560	75,000	434,560
NET ASSETS, end of year	$ 517,257	$ 144,045	$ 661,302

The accompanying notes are an integral part of these statements.

1% FOR THE PLANET, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

INCREASE IN CASH AND CASH EQUIVALENTS	
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 226,742
Noncash items included in increase in net assets:	
Depreciation and amortization	36,065
Changes in assets and liabilities:	
Accounts receivable	14,923
Pledges receivable	(96,881)
Prepaid expenses and other current assets	(13,483)
Accounts payable	(4,521)
Accrued expenses	(5,986)
Deferred revenue	(14,065)
Net cash provided by operating activities	142,794
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(7,335)
Website development costs	(46,500)
Net cash used in investing activities	(53,835)
Net increase in cash and cash equivalents	88,959
CASH AND CASH EQUIVALENTS, beginning of year	485,306
CASH AND CASH EQUIVALENTS, end of year	$ 574,265

Supplemental Disclosures of Cash Flows Information

Cash paid during the year for:	
Interest expense	$ -

The accompanying notes are an integral part of these statements.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES

Operations:

1% for the Planet, Inc. (the "Organization") is a Vermont nonprofit organization founded in 2001. Its mission is to build and support an alliance of businesses throughout the world that are financially committed to creating a healthy planet. The Organization carries out this mission by marketing to build visibility and demand for the "1% for the Planet" brand, building and maintaining partnerships to create opportunities to extend the Organization's mission, adding new member companies to the Organization, and providing member services to matriculate and renew membership to the Organization and to certify member company giving. Specifically, the Organization manages an association whose members commit to donating at least one percent of their annual revenues to approved third party organizations. The Organization licenses its trademarks to members in accordance with annual membership agreements, which automatically renew on an annual basis. The Organization works internationally with an independent chapter in France, whose operations are not under the control of the Organization (see Note H). Revenues derived from foreign members and donors represent approximately 25% of total revenue.

Accounting policies:

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Basis of presentation

The financial statement presentation follows the requirements of Accounting Standards Codification ("ASC") Topic 958 *Not-For-Profit Entities*. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The separate activities and balances of 1% for the Planet France (see Note H) are not required to be and are not consolidated in the Organization's financial statements.

2. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

3. Revenue recognition

Membership dues

Membership dues are recorded as revenue on a straight-line basis over the course of the related membership period.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition (continued)

Revenues related to prepayments and advance billings are deferred until the period in which such amounts are earned.

Contribution and grant revenues and pledges receivable

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Conditional promises to give are not recorded until the conditions are substantially met.

4. Receivables

Accounts receivable are stated at the amount the Organization expects to collect, and are recorded at the commencement of the respective membership period.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year would be recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts would be computed using risk-free interest rates applicable to the years in which the promises were received. As of December 31, 2016, all of the Organization’s pledges receivable are expected to be collected within one year.

The Organization maintains an allowance for doubtful accounts and pledges for estimated losses resulting from the inability of members or donors to make required payments. Management considers a member’s or donor’s individual circumstances when determining the collectability of pledges receivable. Based on management’s assessment, the Organization provides for estimated uncollectible amounts through a charge to operations and a credit to a valuation allowance. Balances that remain outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. No related allowances were required at December 31, 2016.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (CONTINUED)

5. Property and equipment

The Organization records purchased property and equipment at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for substantially all assets.

6. Website development costs

The costs of website development are capitalized during the application development phase, which occurs once management has committed to fund the project and it is probable that the project will be completed for its intended use. Costs incurred prior to the application development phase are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the economic life of the related project. The website was not placed in service until late December 2016, therefore no related amortization was recognized during 2016. The estimated useful over which costs will be amortized is three years.

7. Impairment of long-lived assets

Long-lived assets, such as property and equipment and website development costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no charges to earnings related to impairment during 2016.

8. Functional expenses and allocation of shared costs

Expenses are charged to program and supporting services based on direct expenses incurred. Common costs, including occupancy and fringe benefits, are allocated to program and supporting expenses based upon related utilization.

9. Income taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, the Organization has not provided for income taxes in these financial statements.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (CONTINUED)

9. Income taxes (continued)

Each year management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, therefore, do not need to be measured or disclosed in these financial statements. Tax returns for years subsequent to 2012 are subject to examination by tax authorities.

10. Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Recently issued accounting pronouncements

The Organization is currently evaluating the impact on its financial statements of adopting the following recently issued accounting pronouncements.

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842).* This ASU was issued in three parts: (a) Section A, Leases: Amendments to the *FASB Accounting Standards Codification,* (b) Section B, Conforming Amendments Related to Leases: Amendments to the *FASB Accounting Standards Codification*, and (c) Section C, Background Information and Basis for Conclusions. While both lessees and lessors are affected by the new guidance which includes many changes, the effects on lessees are much more significant. The most significant change for lessees is the requirement to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, affecting leases which were previously accounted for as operating leases. This ASU is effective for years beginning after December 15, 2019, and must be implemented using a modified retrospective approach.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (CONTINUED)

11. Recently issued accounting pronouncements (continued)

Not-for-profit reporting standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The most significant elements of the ASU will include reduction of net asset classes from three to two classes (unrestricted and donor restricted) and enhanced disclosures related to investments, financial liquidity, and expense allocation. The ASU is effective for the Organization for years beginning after December 15, 2017.

Revenue recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The revenue recognition policies of almost all entities will be affected by the new guidance in the ASU. The degree to which an entity's revenue recognition policies will change upon the adoption of the ASU, and the effects the changes will have on the entity's financial statements will vary depending on the nature and terms of the entity's revenue-generating transactions. In addition, entities in some industries likely will be affected by the new guidance in the ASU more than entities in other industries. Given the broad applicability and potentially significant ramifications of the guidance in the ASU, the FASB provided significantly delayed effective dates for its guidance. This ASU is effective for years beginning after December 15, 2018.

12. Evaluation of subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 3, 2017, the date the financial statements were available to be issued.

B) PRIOR PERIOD ADJUSTMENT

During 2016, the Organization restated its net assets as of January 1, 2016 in order to correct errors in the timing of recognition of membership revenues and related accounts receivable and deferred revenues to conform with accounting principles generally accepted in the United States of America. The net effect of the prior period adjustment was to decrease unrestricted net assets as of January 1, 2016 by $60,261.

C) CONCENTRATIONS OF CREDIT RISK

The Organization maintains bank balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant credit risk on cash balances.

D) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016:

Computers and equipment	$ 26,986
Furniture and fixtures	1,550
Leasehold improvements	4,000
	32,536
Less accumulated depreciation and amortization	20,815
	$ 11,721

E) TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted due to timing of availability as follows at December 31, 2016:

Pledges receivable - operating	$ 114,045
Operating grants restricted for use in upcoming year	30,000
	$ 144,045

F) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan (the Plan) that covers substantially all of its employees. The Organization matches contributions up to 6% of each employee's eligible salary, as defined. The Organization's contributions to the Plan charged to earnings were approximately $32,200 in 2016.

G) OPERATING LEASE

The Organization has an al year through August 2018 under substantially the same terms. The lease requires monthly payments of $3,300.

Total rent expense charged to earnings was approximately $40,000 in 2016.

Future minimum lease payments under noncancelable leases as of December 31, 2016 consist of $26,400 due in 2017.

H) RELATED PARTY TRANSACTIONS - FRENCH AFFILIATE

In 2014, the Organization founded a separate legal entity called 1% for the Planet France (hereafter referred to as “1% France”) that is governed by an independent board of directors and commenced operations in 2016. The purpose is to create autonomy for 1% France to operate under principles identical to the Organization and to assume the operations previously operated by the Organization. The chief executive officer of the Organization serves as a member of 1% France’s board of directors and has certain veto rights, as defined in the organizational documents.

1% France is legally unable to have “members”, therefore the Organization continues to operate in France through membership agreements and operations that are managed by 1% France. The Organization has various membership agreements directly with French members, with cash collections by 1% France on behalf of the Organization totaling approximately $155,000 in 2016. The Organization also entered into a consulting agreement with a third party to assist with operations in France for approximately $76,000 during 2016, which was paid by1% France using cash collected from memberships. The net balance due from 1% France to the Organization of approximately $79,000 was forgiven by the Organization with an effective date of December 31, 2016 and is included in the program expenses and the increase in net assets in the accompanying 2016 statement of activities.

SUPPLEMENTAL INFORMATION

1% FOR THE PLANET, INC.

SUPPLEMENTAL INFORMATION – SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Expenses	Supporting Expenses: Fundraising	Supporting Expenses: Management and General	Supporting Expenses: Total Supporting	Total Expenses
Salaries and wages	$ 579,131	$ 58,916	$ 40,206	$ 99,122	$ 678,253
Employee benefits	193,222	19,657	13,414	33,071	226,293
Total personnel	772,353	78,573	53,620	132,193	904,546
Advertising and promotion	1,092	558	81	639	1,731
Bank and other transaction fees	10,928	1,020	1,716	2,736	13,664
Contract services	118,489	36,949	1,873	38,822	157,311
Facilities	27,981	6,847	7,385	14,232	42,213
Forgiveness of balance due from affiliate	79,237	-	-	-	79,237
Legal and professional	-	-	49,520	49,520	49,520
Other	2,136	8,825	9,209	18,034	20,170
Telephone and internet	12,590	4,075	2,261	6,336	18,926
Travel	37,404	37,404	8,312	45,716	83,120
	1,062,210	174,251	133,977	308,228	1,370,438
Depreciation and amortization	16,229	16,229	3,607	19,836	36,065
Total	$ 1,078,439	$ 190,480	$ 137,584	$ 328,064	$ 1,406,503