Delivering Good, Inc.

Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

The Board of Directors
Delivering Good, Inc.

We have audited the accompanying financial statements of Delivering Good, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Delivering Good, Inc. as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Organization adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

June 19, 2019

Delivering Good, Inc.

Statement of Financial Position

	December 31, 2018	December 31, 2017
ASSETS		
Cash	$ 2,501,195	$ 2,237,393
Accounts receivable	1,340,193	606,124
Prepaid expenses and other assets	27,459	69,150
Restricted cash	67,014	67,014
Property and equipment, net	61,218	88,150
	$ 3,997,079	$ 3,067,831
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 433,252	$ 521,046
Deferred rent	63,444	94,239
Loan payable	11,455	17,680
Total Liabilities	508,151	632,965
Net Assets		
Without donor restrictions	2,333,483	2,125,630
With donor restrictions	1,155,445	309,236
Total Net Assets	3,488,928	2,434,866
	$ 3,997,079	$ 3,067,831

See notes to financial statements

Delivering Good, Inc.

Statement of Activities

	Year Ended December 31,					
SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
Contributed merchandise, in-kind	$ 184,271,673	$ -	$ 184,271,673	$ 152,797,237	$ -	$ 152,797,237
Contributed professional services, in-kind	92,635	-	92,635	158,437	-	158,437
Contributions	1,010,120	1,155,445	2,165,565	927,473	105,000	1,032,473
Disaster relief support	550,051	-	550,051	1,060,540	179,236	1,239,776
Special events, net of direct costs of $522,974 and $507,144	1,676,143	-	1,676,143	1,767,545	-	1,767,545
Interest income	1,011	-	1,011	924	-	924
Other	12,598	-	12,598	27,949	-	27,949
Net assets released from restrictions	309,236	(309,236)	-	25,000	(25,000)	-
Total Support and Revenue	187,923,467	846,209	188,769,676	156,765,105	259,236	157,024,341
EXPENSES						
Programs	186,592,958	-	186,592,958	155,682,149	-	155,682,149
Management and general	462,513	-	462,513	624,499	-	624,499
Fundraising	660,143	-	660,143	563,276	-	563,276
Total Expenses	187,715,614	-	187,715,614	156,869,924	-	156,869,924
Change in Net Assets	207,853	846,209	1,054,062	(104,819)	259,236	154,417
NET ASSETS						
Beginning of year	2,125,630	309,236	2,434,866	2,230,449	50,000	2,280,449
End of year	$ 2,333,483	$ 1,155,445	$ 3,488,928	$ 2,125,630	$ 309,236	$ 2,434,866

See notes to financial statements

Delivering Good, Inc.

Statement of Functional Expenses

	Year Ended December 31,							
	Programs	Management and General	Fundraising	2018 Total	Programs	Management and General	Fundraising	2017 Total
Merchandise donated	$ 184,271,673	$ -	$ -	$ 184,271,673	$ 152,797,237	$ -	$ -	$ 152,797,237
Contributed professional services	-	30,635	62,000	92,635	-	158,437	-	158,437
Freight charges	926,186	-	-	926,186	1,314,171	-	-	1,314,171
Salaries and wages	679,959	212,275	387,593	1,279,827	630,009	218,060	343,341	1,191,410
Payroll taxes and employee benefits	134,699	42,051	76,782	253,532	125,710	43,884	69,726	239,320
Professional fees	7,526	115,800	-	123,326	14,286	119,424	7,924	141,634
Advertising and promotion	22,759	-	15,172	37,931	30,512	-	20,341	50,853
Office expenses	32,817	10,245	18,707	61,769	48,991	17,102	27,173	93,266
Information technology	20,011	6,247	11,407	37,665	17,951	6,266	9,956	34,173
Occupancy	70,650	22,056	40,272	132,978	69,701	24,332	38,660	132,693
Travel	12,451	-	3,113	15,564	16,256	-	4,064	20,320
Meetings	3,081	840	1,680	5,601	-	-	-	-
Gift cards (disaster relief)	350,592	-	-	350,592	558,200	-	-	558,200
Bad debt	-	5,000	-	5,000	-	17,000	-	17,000
Depreciation and amortization	18,775	5,863	10,702	35,340	18,850	6,580	10,455	35,885
Insurance	-	3,045	-	3,045	-	4,644	-	4,644
State registration fees	12,926	-	10,576	23,502	11,262	-	9,215	20,477
Bank fees	8,370	2,093	10,463	20,926	9,132	2,283	11,416	22,831
Miscellaneous	20,483	6,363	11,676	38,522	19,881	6,487	11,005	37,373
Total Expenses	$ 186,592,958	$ 462,513	$ 660,143	$ 187,715,614	$ 155,682,149	$ 624,499	$ 563,276	$ 156,869,924

See notes to financial statements

Delivering Good, Inc.

Statement of Cash Flows

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,054,062	$ 154,417
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	35,340	35,885
Deferred rent	(30,795)	(23,864)
Bad debt	5,000	17,000
Change in operating assets and liabilities		
Accounts receivable	(739,069)	(265,861)
Prepaid expenses and other assets	41,691	(10,846)
Accounts payable and accrued expenses	(87,794)	341,270
Net Cash from Operating Activities	278,435	248,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(8,408)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on loan payable	(6,225)	(5,997)
Net Change in Cash	263,802	242,004
CASH		
Beginning of the year	2,237,393	1,995,389
End of the year	$ 2,501,195	$ 2,237,393
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 249	$ 352

See notes to financial statements

1. Organization and Tax Status

Delivering Good, Inc. (the "Organization") was incorporated on December 10, 1985 under the laws of the State of New York and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. On April 5, 2017 the Organization applied to change its name to Delivering Good, Inc., which was approved by the Secretary of the State of New York, effective May 8, 2017.

The Organization is a public charity that receives, administers and expends products for charitable, educational, and disaster relief purposes to poor, distressed, and underprivileged children, individuals, and families. The Organization maintains its office at 266 West 37th Street, New York, New York.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

On January 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires the Organization to collapse the three-category (unrestricted, temporarily restricted and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted and temporarily restricted net assets were reclassified as net assets without donor restrictions and net assets with donor restrictions, respectively.

Allowance for Doubtful Accounts

An estimated allowance for doubtful accounts is provided when necessary, based upon management's assessment of historical and expected net collections and other business and economic conditions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives that range from 3 to 5 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or related lease period. The Organization capitalizes amounts over $1,000 with a useful life greater than a year.

2. Summary of Significant Accounting Policies *(continued)*

Asset Recoverability

Long-lived assets 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 amounts of the asset to aggregate future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There is no such impairment for the years ended December 31, 2018 and 2017.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits and information technology, which are allocated on the basis of estimates of time and effort as well as office expenses, occupancy, depreciation and amortization and miscellaneous, which are allocated on a square-footage basis.

Deferred Rent

U.S. GAAP requires that the rent over the life of a lease be expensed on a straight-line basis notwithstanding the actual cash payments required under the lease, with the difference between the straight-line expense and the actual rent payments shown as deferred rent liability on the statement of financial position. The cumulative balance for deferred rent at December 31, 2018 and 2017 of $63,444 and $94,239, respectively, is reported in the accompanying statement of financial position. In addition, the liability initially recorded included landlord concessions of $140,215.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating expenses. Net assets without donor restrictions are comprised of: the net portions of cash, accounts receivable and accounts payable; the net investment in property and equipment; and the remaining assets less liabilities available for operations. In the future, if the Board should designate a portion of the remaining net assets for specific purposes, the designated portion would no longer be available for use at management’s discretion.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some net assets include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of the donor imposed stipulations.

2. Summary of Significant Accounting Policies *(continued)*

Net Assets with Donor Restrictions (continued)

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported on the statement of activities as net assets released from restrictions.

Contributions

Contributions and unconditional promises to give are measured at their net realizable values when received and are classified as either with or without donor restricted support, based on donor-imposed stipulations, if any. If donor restrictions are met within the same reporting period as when the contributions were made, those contributions are recorded as without donor restricted support.

Contributions In-kind

The Organization receives donated merchandise as part of program services and recognizes such materials as support and expense in the statement of activities when the Organization has been granted explicit unilateral authority to dispose of such materials by transferring them to donee organizations. This merchandise is recorded in the accompanying financial statements at their fair value, as estimated by the donor and management on the date of use or receipt to the extent that such amounts can be reasonably estimated.

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

Donated services rendered by volunteers are not recorded as support and expense because they do not meet the criteria for recognition in the financial statements.

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of cost of direct benefits to donors.

Advertising Costs

Advertising costs are expensed as incurred.

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to December 31, 2015.

Reclassifications

Certain amounts contained in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance on lease accounting which requires an entity to recognize a right-of-use asset and a corresponding lease liability on its statement of financial position for virtually all of its leases with a term of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP guidance, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an entity's leasing activities. This amended guidance, which will be effective January 1, 2020, requires modified retrospective application, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 19, 2019.

3. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2018	2017
Grants and contributions receivable	$ 361,693	$449,853
Endowment receivable	800,000	-
Event revenue receivables	178,500	156,271
Total Accounts Receivable	$1,340,193	$606,124

3. Accounts Receivable *(continued)*

During 2018, the Organization recorded an endowment receivable with donor restrictions to be maintained in perpetuity. The Organization considers all receivables at December 31, 2018 and 2017 to be fully collected within one year and accordingly there is no allowance for doubtful accounts recorded.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Leasehold improvements	$ 220,431	$220,431
Furniture and fixtures	805	805
Office equipment	38,835	30,427
	260,071	251,663
Accumulated depreciation and amortization	(198,853)	(163,513)
	$ 61,218	$ 88,150

5. Loan Payable

On August 2013, the Organization obtained a construction loan from its landlord for newly leased space. The loan is to be repaid over an 84 month period at an interest rate of 2% per annum. Interest expense totaled $249 in 2018 and $352 in 2017. Future payments for the years ending December 31 are payable as follows:

2019	$ 6,605
2020	5,028
Total payments	11,633
Less interest	(178)
	$ 11,455

6. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash	$ 2,501,195
Accounts Receivables	1,340,193
Total financial assets available within one year	3,841,388
Less amounts unavailable for general expenditures within one year due to:	
Net Assets with donor restrictions	1,155,445
Less net assets with purpose and time restrictions to be met in less than a year	(355,445)
	800,000
Total financial assets available to meet cash needs for general expenditures within one year	$ 3,041,388

Amounts not available include amounts set aside for long-term investing from donor-restricted endowments the income of which could be drawn upon if the governing board approves that action. However, amounts already appropriated from donor-restricted endowments for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

The Organization strives to maintain liquid financial assets sufficient to cover six months of general expenditures. As part of its liquidity plan, excess cash is included in either checking or savings accounts. Although the Organization does not intend to spend from its savings account other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, these amounts could be made available if necessary.

7. Restricted Cash

In lieu of a cash security deposit for an operating lease for office space, the Organization has provided an unconditional, irrevocable letter of credit to the landlord, which expires on September 20, 2019 and is annually renewed until the lease expires. The Organization, under the terms of the letter of credit with a bank, has agreed to maintain a compensating balance equal to the letter of credit. At December 31, 2018 and 2017, $67,014 of cash is restricted for the letter of credit.

8. Retirement Plan

The Organization maintains a 401(k) employee benefit plan (the “Plan”), which is an employee benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), and is intended to be a qualified plan under Section 401(k) of the Internal Revenue Code of 1986 (the "Code"). Participants in the Plan may contribute up to 100% of pretax income, subject to the legal limitations, except for participants who were age 50 or older who may make an additional "catch-up" contribution under the “Safe Harbor Matching Election” to the Plan. The Organization makes discretionary contributions to the Plan, which vest ratably over years 2-6 of service to the Organization. For the years ended December 31, 2018 and 2017, the discretionary contributions to the Plan totaled $35,514 and $40,233, respectively.

9. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and receivables. The Organization maintains its cash with financial institutions held in checking and savings accounts, which is in excess of federally insured limits. The Organization has not experienced any losses in such accounts. There are no significant concentrations with regard to receivables due to the broad donor base of the Organization.

10. Contributions In-kind

The Organization receives merchandise from its supporters and is required to distribute this merchandise to qualified organizations. Donated merchandise is reported as in-kind contributions on the accompanying statement of activities in the amount of $184,271,673 and $152,797,237 for the years ended December 31, 2018 and 2017, respectively. The value of the merchandise was recorded at its fair value as of the date of receipt.

The Organization receives pro bono professional services from various vendors for legal and marketing services. Donated services are reported as in-kind contributed professional services on the accompanying statement of activities in the amount of $92,635 and $158,437 for the years ended December 31, 2018 and 2017, respectively. The value of the services was recorded at its fair value on the date the service was provided.

11. Related Party Transactions

Members of the Board of Directors are affiliated with companies that donate products and cash to the Organization. Donated products from these companies for 2018 and 2017 totaled $50,144,656 and $18,598,981, respectively, and are included and reported as in-kind contributions on the accompanying statement of activities. Cash contributions from these companies and individuals are included primarily within special events in the accompanying statement of activities in the amount of $853,315 and $815,250 in 2018 and 2017, respectively.

12. Operating Lease

The Organization leases its office space under a seven year lease expiring in September 2020. Future minimum lease payments for the years ending December 31 are payable as follows:

2019	$ 161,186
2020	95,382
	$ 256,568

The lease contains escalation clauses based on increases in real estate taxes and utility expenses.

For 2018 and 2017, total rent expense was $132,978 and $132,693, respectively.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2018	2017
Purpose restrictions:		
Program	$ 198,275	$ 40,000
Disaster relief	44,489	179,236
Time restrictions:		
Program time restrictions	112,681	90,000
Perpetual restrictions:		
Endowment fund	800,000	-
	$ 1,155,445	$ 309,236

Net assets with donor restrictions released from restrictions consisted of the following for the years ended December 31:

	2018	2017
Purpose restrictions	$ 219,236	$ -
Time restrictions	90,000	25,000
	$ 309,236	$ 25,000

14. Endowment

The Organization's net assets with donor restrictions includes an endowment gift for new products to be distributed by the Organization for needy children. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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