

**Financial Statements  
and Supplementary Information**

**Ceres, Inc.**

**October 31, 2014 and 2013**



**Mayer Hoffman McCann P.C.**  
Tofias New England Division  
An Independent CPA Firm

# CERES, INC.

## *Financial Statements*

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## *Independent Auditors' Report*

Board of Directors  
Ceres, Inc.  
Boston, Massachusetts

We have audited the accompanying financial statements of Ceres, Inc. ("Ceres"), which comprise the statements of financial position as of October 31, 2014 and 2013, 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 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 Ceres, Inc. as of October 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.

*Mayer Heffman McCann P.C.*

March 5, 2015  
Boston, Massachusetts

**CERES, INC.**

*Statements of Financial Position*

*October 31,*

	<i>2014</i>	<i>2013</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,301,206	\$ 2,580,550
Investments	304,725	604,560
Accounts receivable, net (Note 3)	377,622	499,272
Pledges receivable, net (Note 4)	28,653	141,918
Grants receivable (Note 2)	1,477,132	1,108,333
Prepaid expenses	197,219	210,935
	<hr/>	<hr/>
<b>Total current assets</b>	<b>6,686,557</b>	<b>5,145,568</b>
Long-term investments	1,803,034	1,802,718
Grants receivable, net of current portion (Note 2)	145,726	-
Security deposits	12,683	12,683
Property and equipment, net (Note 5)	140,293	141,507
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 8,788,293</b>	<b>\$ 7,102,476</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 226,403	\$ 197,444
Accrued expenses	386,302	261,325
Deferred revenue	803,449	808,635
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>1,416,154</b>	<b>1,267,404</b>
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>1,416,154</b>	<b>1,267,404</b>
Net assets:		
Unrestricted:		
Available for operations	1,546,520	1,395,100
Board designated	1,673,965	1,668,426
	<hr/>	<hr/>
Total unrestricted	3,220,485	3,063,526
Temporarily restricted (Note 9)	4,151,654	2,771,546
	<hr/>	<hr/>
<b>Total net assets</b>	<b>7,372,139</b>	<b>5,835,072</b>
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 8,788,293</b>	<b>\$ 7,102,476</b>

See accompanying notes to the financial statements.

**CERES, INC.**

*Statement of Activities*

*Years Ended October 31,*

	<i>2014</i>			<i>2013</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Total</i>
Revenues, gains and other support:				
Company, INCR, coalition and BICEP dues	\$ 2,120,590	\$ -	\$ 2,120,590	\$ 1,992,355
Grant revenue, Ceres' impact areas	88,834	7,239,434	7,328,268	3,842,207
Contributions	306,532	245,500	552,032	1,986,498
Conference fees and sponsorships	1,162,452	-	1,162,452	790,726
In-kind contributions	41,220	-	41,220	32,736
Interest income	9,600	-	9,600	24,227
Other revenue	74,063	-	74,063	121,806
	<b>3,803,291</b>	<b>7,484,934</b>	<b>11,288,225</b>	<b>8,790,555</b>
Net assets released from restrictions (Note 10):				
Satisfaction of program restrictions	6,104,826	(6,104,826)	-	-
	<b>9,908,117</b>	<b>1,380,108</b>	<b>11,288,225</b>	<b>8,790,555</b>
Expenses:				
Program services	7,742,259	-	7,742,259	6,823,258
Management and general	996,839	-	996,839	703,133
Fundraising	1,012,060	-	1,012,060	850,949
	<b>9,751,158</b>	<b>-</b>	<b>9,751,158</b>	<b>8,377,340</b>
<b>Change in net assets</b>	<b>156,959</b>	<b>1,380,108</b>	<b>1,537,067</b>	<b>413,215</b>
Net assets at beginning of year	3,063,526	2,771,546	5,835,072	5,421,857
<b>Net assets at end of year</b>	<b>\$ 3,220,485</b>	<b>\$ 4,151,654</b>	<b>\$ 7,372,139</b>	<b>\$ 5,835,072</b>

See accompanying notes to the financial statements.

**CERES, INC.**

*Statement of Activities*

*Year Ended October 31, 2013*

	<b>2013</b>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Revenues, gains and other support:			
Company, INCR, coalition and BICEP dues	\$ 1,992,355	\$ -	\$ 1,992,355
Grant revenue, Ceres' impact areas	39,000	3,803,207	3,842,207
Contributions	1,796,223	190,275	1,986,498
Conference fees and sponsorships	790,726	-	790,726
In-kind contributions	32,736	-	32,736
Interest income	24,227	-	24,227
Other revenue	121,806	-	121,806
	<b>4,797,073</b>	<b>3,993,482</b>	<b>8,790,555</b>
Net assets released from restrictions (Note 10):			
Satisfaction of program restrictions	4,381,868	(4,381,868)	-
	<b>9,178,941</b>	<b>(388,386)</b>	<b>8,790,555</b>
Expenses:			
Program services	6,823,258	-	6,823,258
Management and general	703,133	-	703,133
Fundraising	850,949	-	850,949
	<b>8,377,340</b>	<b>-</b>	<b>8,377,340</b>
<b>Change in net assets</b>	<b>801,601</b>	<b>(388,386)</b>	<b>413,215</b>
Net assets at beginning of year	2,261,925	3,159,932	5,421,857
<b>Net assets at end of year</b>	<b>\$ 3,063,526</b>	<b>\$ 2,771,546</b>	<b>\$ 5,835,072</b>

See accompanying notes to the financial statements.

# CERES, INC.

## Statement of Functional Expenses

Year Ended October 31, 2014

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries	\$ 3,674,937	\$ 595,053	\$ 631,030	\$ 4,901,020
Payroll taxes and fringe benefits (Note 7)	866,815	130,545	144,249	1,141,609
Professional fees	1,392,451	70,745	18,845	1,482,041
Advertising and paid media	15,976	-	-	15,976
Conferences and meetings	621,766	5,445	47,971	675,182
Travel expenses	402,358	5,535	45,035	452,928
Office supplies and expenses	372,004	42,487	55,591	470,082
Occupancy expense (Note 8)	256,219	39,139	42,491	337,849
Bad debt expense	-	77,958	-	77,958
Printing	46,122	235	14,976	61,333
In-kind expenses	22,269	18,951	-	41,220
Depreciation	71,342	10,746	11,872	93,960
	<u>\$ 7,742,259</u>	<u>\$ 996,839</u>	<u>\$ 1,012,060</u>	<u>\$ 9,751,158</u>

# CERES, INC.

## *Statement of Functional Expenses*

*Year Ended October 31, 2013*

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries	\$ 3,592,252	\$ 377,821	\$ 535,295	\$ 4,505,368
Payroll taxes and fringe benefits (Note 7)	839,737	98,709	119,576	1,058,022
Professional fees	913,055	65,641	27,073	1,005,769
Advertising and paid media	8,231	-	-	8,231
Conferences and meetings	502,178	3,002	17,510	522,690
Travel expenses	342,825	4,639	45,352	392,816
Office supplies and expenses	296,493	20,385	43,341	360,219
Occupancy expense (Note 8)	209,736	24,901	29,876	264,513
Bad debt expense	-	71,292	-	71,292
Printing	39,386	263	22,333	61,982
In-kind expenses	5,000	27,736	-	32,736
Depreciation	74,365	8,744	10,593	93,702
	<u>\$ 6,823,258</u>	<u>\$ 703,133</u>	<u>\$ 850,949</u>	<u>\$ 8,377,340</u>

**CERES, INC.**

*Statements of Cash Flows*

*Years Ended October 31,*

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>1,537,067</u>	\$ <u>413,215</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	93,960	93,702
Change in accounts receivable	121,650	(272,019)
Change in pledges receivable	113,265	76,415
Change in grants receivable	(514,525)	167,264
Change in prepaid expenses	13,720	(48,158)
Change in accounts payable	28,959	(17,610)
Change in accrued expenses	124,977	(102,951)
Change in deferred revenue	<u>(5,186)</u>	<u>323,002</u>
<b>Total adjustments</b>	<b><u>(23,180)</u></b>	<b><u>219,645</u></b>
<b>Net cash provided by operating activities</b>	<b><u>1,513,887</u></b>	<b><u>632,860</u></b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	307,183	2,168,170
Purchase of investments	(7,665)	(2,125,189)
Loss on disposal of equipment	10,080	-
Purchase of property and equipment	<u>(102,829)</u>	<u>(25,737)</u>
<b>Net cash provided by investing activities</b>	<b><u>206,769</u></b>	<b><u>17,244</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>1,720,656</b>	<b>650,104</b>
Cash and cash equivalents, beginning of year	<u>2,580,550</u>	<u>1,930,446</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u><u>4,301,206</u></u></b>	<b>\$ <u><u>2,580,550</u></u></b>

*See accompanying notes to the financial statements.*

# CERES, INC.

## *Notes to Financial Statements*

### *Note 1 - Nature of Activities and Significant Accounting Policies*

#### *Nature of Activities*

Since 1989, Ceres, Inc. (Ceres) has engaged investors, companies, labor, policymakers, and public interest groups to integrate sustainability into corporate practices, investment practices and overall capital markets, addressing global issues such as climate change, clean energy deployment and water availability risks.

Ceres' mission is mobilizing investor and business leadership to build a thriving, sustainable global economy.

Ceres is known for its unique ability to convene powerful market players and institutions with diverse interests to consider and develop positive solutions to complex issues. For example, in January 2014 at the United Nations, Ceres brought together 500 leading global investors as well as key policymakers and business executives at the *Investor Summit on Climate Risk: Financing the Clean Energy Future*.

Ceres seeks real-world results in four key impact areas critical to its mission:

#### *Sustainable Business Strategies*

Ceres aims to integrate sustainability into company performance by scaling up positive social, environmental, and business results in strategy, governance, operations, and supply chains. The Ceres Company Network includes 65 members from two-dozen industries, including market leaders in technology, insurance, footwear and apparel, food and beverage, oil and gas, electric utilities and financial services. Roughly one-third of companies in the Ceres Network are in the Fortune 500. Network companies make commitments to stakeholder engagement, public disclosure, and performance improvements, as outlined in the Ceres-authored *The 21<sup>st</sup> Century Corporation: The Ceres Roadmap for Sustainability*.

In April 2014, Ceres released the report *Gaining Ground* ranking 600+ companies against the expectations in *The Ceres Roadmap*. The report garnered attention in top media outlets and key trade publications and solicited many responses from companies inside and outside the Ceres Company Network.

#### *Sustainable Capital Markets*

Ceres mobilizes influential financial market actors to promote and integrate sustainability into investment decision-making, corporate practices and public policy. The aim is having investors and policymakers shift short-term thinking toward longer-term sustainability by focusing on incentives, drivers, policies and regulations that accelerate low-polluting business practices that will ultimately mitigate long-term threats posed by global climate change. Ceres directs the Investor Network on Climate Risk (INCR), a growing network of over 100 institutional investors and managers, which collectively own or manage \$13 trillion of assets. INCR hosts the bi-annual Investor Summit held in New York City. In 2010, Ceres and its investor network persuaded the Securities and Exchange Commission (SEC) to issue formal guidance requiring climate change-related disclosure in public company financial filings. Ceres is now working to have global stock exchanges require corporate disclosure of climate and other sustainability risks.

# CERES, INC.

## *Notes to Financial Statements*

### *Note 1 - Nature of Activities and Significant Accounting Policies (Continued)*

#### *Nature of Activities (Continued)*

##### *Climate and Clean Energy*

Ceres seeks to accelerate the sustainable global economy by championing low-carbon business, investor, and policy solutions to drive economic growth and mitigate the impacts of climate change. The goal is to transition to a global clean energy economy by reducing reliance on unsustainable energy options, such as high-polluting oil and coal, while championing resilient, low-carbon electric power and transportation options, energy efficiency, and business solutions at the speed and scale necessary to drive robust growth and avoid the worst impacts of climate change. Ceres convenes investors, technical experts, and representatives from energy intensive to find solutions to a range of sustainability problems attributable to economic activity. Towards this aim, Ceres directs the Business for Innovative Climate and Energy Policy (BICEP) coalition, comprised of 34 companies representing a range of well-known consumer brands such as Nike, Starbucks, Nestle and General Mills. In 2013, Ceres launched the Ceres' Climate Declaration, a call for government action on climate change. More than 1,200 companies have signed the Climate Declaration and many have taken concrete actions supporting specific climate and energy policies such as state renewable energy standards and the EPA Clean Power Plan. Responding to ongoing efforts by Ceres, the National Association of Insurance Commissioners (NAIC) has mandated insurance companies to disclose annually the financial risks they face from climate change, as well as actions they are taking to address those risks. Ceres assessed these disclosures and wrote reports on their findings the past two years.

In 2014, Ceres launched The Clean Trillion, a campaign to highlight the global investments in clean energy needed to avoid the worst effects of climate change. The Clean Trillion campaign has been a key message for the United Nations leading up to the Conference of the Parties talks on climate change in Paris in 2015. The Clean Trillion has also garnered national and international media attention and has trended on social media sites such as Twitter.

##### *Water*

Ceres strives to advance business, investor, and government policies and practices to ensure abundant clean water supplies and healthy ecosystems. Last year, Ceres launched Value Every Drop, a campaign focusing on three key sectors with enormous responsibility for protecting our nation's water security—water utilities, oil and gas, and agriculture. Ceres brings unique capital market solutions to these challenges. We are changing the way that businesses and utilities manage water, and the way that investors consider water risk in their investment decisions. By reshaping how key economic actors value water, we can turn smart water management into a business fundamental and water stewardship into an economic imperative. In 2014, Ceres released a report highlighting the water and climate risks facing U.S. corn production. The report raised concerns about water use, pesticide pollution and corn farming practices and provides key recommendations for how companies and investors can improve sustainable agriculture practices to enhance yields while protecting precious water sources.

# CERES, INC.

## *Notes to Financial Statements*

### *Note 1 - Nature of Activities and Significant Accounting Policies (Continued)*

#### *Basis of Accounting*

The financial statements of Ceres, Inc. have been prepared on the accrual basis.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant management estimates included in the financial statements include the reserve for doubtful accounts, present value of future grant payments, useful lives of depreciable assets, satisfaction of program restrictions for the release of restricted net assets and allocation of functional expenses.

#### *Classification and Reporting of Net Assets*

Ceres' financial statement presentation is in accordance with not-for-profit accounting standards. Ceres 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. Ceres does not have any permanently restricted net assets. A description of the two net asset classes follows:

*Unrestricted net assets* - represent the portion of net assets of Ceres that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of Ceres, as well as funds invested in plant including property and equipment. Unrestricted net assets also include amounts designated by the Board of Directors (the "Board") for future use.

*Temporarily restricted net assets* - represent contributions and other inflows of assets whose use by Ceres is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Ceres pursuant to those stipulations.

#### *Cash and Cash Equivalents*

For purposes of reporting cash flows, Ceres defines cash equivalents to include highly liquid investments with an initial maturity of ninety days or less. Ceres maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Ceres utilizes an overnight sweep account with its depository which invests in U.S. Treasury obligations which are valued at cost, which approximates fair value. Ceres monitors its exposure associated with cash and cash equivalents and has not experienced any losses in these accounts.

#### *Investments*

Ceres' investments in FDIC-insured, fixed-rate certificates of deposit are valued at cost plus accrued interest. Investments include certificates of deposit with a financial institution having maturities of four months to two years from fiscal year end.

# CERES, INC.

## *Notes to Financial Statements*

### *Note 1 - Nature of Activities and Significant Accounting Policies (Continued)*

#### *Fair Value Measurements*

Ceres reports certain assets at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include Ceres' investment account. Nonrecurring measures include grants receivable.

These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1* - Quoted prices are available in active markets for identical investments as of the reporting date. Instruments which are generally included in this category included listed equity and debt securities publicly traded on a stock exchange.

*Level 2* - Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock-up periods of 90 days or less.

*Level 3* - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock-up periods in excess of 90 days.

#### *Accounts Receivable*

Accounts receivable includes membership fees and sponsorships for Ceres' annual conference and Ceres' bi-annual Investor Summit. Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the statement of financial position date.

# CERES, INC.

## *Notes to Financial Statements*

### *Note 1 - Nature of Activities and Significant Accounting Policies (Continued)*

#### *Property and Equipment*

Property and equipment acquisitions are recorded at cost. Property and equipment donated for operations are recorded as additions at fair value at the date of receipt. Fair value of donated property and equipment is effectively recorded using a Level 3 market approach. Depreciation is provided on the straight-line basis over the following estimated useful lives:

	<i>Years</i>
Furniture and fixtures	5-7
Leasehold improvements	Lessor of term of lease or life of asset
Telephone equipment	5-10
Computer equipment and software	3-5

Expenditures for major renewals and improvements are capitalized while expenditures for maintenance are expensed as incurred.

#### *Revenues*

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

#### *Revenue Recognition*

Company, coalition and participant fees are recorded as earned over a one-year period from the date of receipt. Fee for service revenue is reported as revenue when deliverables are completed. Conference fees and sponsorships are reported as revenue on the first day of the event.

#### *Deferred Revenue*

Deferred revenue is recognized as a liability and represents membership and sponsorship fees that are paid in advance of the membership period or event.

# CERES, INC.

## *Notes to Financial Statements*

### *Note 1 - Nature of Activities and Significant Accounting Policies (Continued)*

#### ***Grant Revenue, Contributions and Related Receivables***

Grant revenue and contributions, including unconditional promises to give, are recognized at fair value as revenues in the period the promise is received. Fair value is determined as per the fair value policies covered earlier. The initial recorded fair value is considered a Level 2 fair value approach. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. It is the policy of Ceres to immediately sell all donated marketable securities. Grant revenue and contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional grant and contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Allowances for uncollectible grants and pledges receivable are provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activities.

Grants and contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Fair value of donated fixed assets is effectively recorded using a Level 3 market approach. Contributions of cash or other assets with stipulations to be used to acquire property and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Grants and pledges receivable are recorded at the present value of future cash flows. Grants and pledges expected to be collected in one year or more are discounted to present value using a risk adjusted rate to account for the inherent risk associated with future cash flows. Amortization of this discount is included in grant revenue.

#### ***Contributed Goods and Services***

Ceres records various types of in-kind support including professional services, advertising and materials. Contributed professional services are recognized if the services received create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at their fair value when received.

#### ***Advertising***

Ceres expenses advertising costs as incurred.

#### ***Income Tax Status***

Ceres is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

# CERES, INC.

## Notes to Financial Statements

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

#### Uncertain Tax Positions

Ceres accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

Ceres has identified its tax status as a tax exempt entity and its determination of which activities are related and unrelated as its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. Ceres is not currently under examination by any taxing jurisdiction. Its Federal and state income tax returns are generally open for examination for the past three years following the date of filing the related return.

#### Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

#### Subsequent Events

Ceres has evaluated subsequent events through March 5, 2015, the date the financial statements were authorized to be issued.

### Note 2 - Grants Receivable

Following is a summary of grants receivable at October 31:

	<b>2014</b>	<b>2013</b>
Grants receivable	\$ 1,625,043	\$ 1,108,333
Less: unamortized discount	<u>(2,185)</u>	<u>-</u>
Net grants receivable	1,622,858	1,108,333
Less: current portion	<u>1,477,132</u>	<u>1,108,333</u>
<b>Grants receivable, net of current portion</b>	<b>\$ <u>145,726</u></b>	<b>\$ <u>-</u></b>

# CERES, INC.

## Notes to Financial Statements

### Note 3 - Accounts Receivable

As of October 31, accounts receivable consisted of the following:

	<i>2014</i>	<i>2013</i>
Company, INCR, coalition and BICEP dues	\$ 177,500	\$ 172,000
Sponsorships	220,000	338,000
Reimbursed expenses	8,462	14,434
Other	<u>6,494</u>	<u>1,713</u>
	412,456	526,147
Less: allowance	<u>(34,834)</u>	<u>(26,875)</u>
<b>Accounts receivable, net</b>	<b><u><u>\$ 377,622</u></u></b>	<b><u><u>\$ 499,272</u></u></b>

### Note 4 - Pledges Receivable

As of October 31, pledges receivable consisted of the following:

	<i>2014</i>	<i>2013</i>
Pledges	\$ 78,653	\$ 191,918
Less: allowance	<u>(50,000)</u>	<u>(50,000)</u>
<b>Pledges receivable, net</b>	<b><u><u>\$ 28,653</u></u></b>	<b><u><u>\$ 141,918</u></u></b>

# CERES, INC.

## *Notes to Financial Statements*

### *Note 5 - Property and Equipment*

Following is a summary of property and equipment at October 31:

	<i>2014</i>	<i>2013</i>
Furniture and fixtures	\$ 181,179	\$ 158,902
Leasehold improvements	141,664	110,997
Telephone equipment	38,676	37,173
Computer equipment and software	<u>250,745</u>	<u>230,080</u>
	612,264	537,152
Less: accumulated depreciation	<u>(471,971)</u>	<u>(395,645)</u>
<b>Net property and equipment</b>	<b>\$ <u>140,293</u></b>	<b>\$ <u>141,507</u></b>

### *Note 6 - Line of Credit*

Ceres has a revolving line of credit agreement with a bank. Borrowings under this agreement are limited to \$250,000. The line bears interest at the bank's prime lending rate, which is 3.25% as of October 31, 2014 and 2013, and outstanding balances are due upon demand. At October 31, 2014 and 2013, Ceres had no outstanding balance. The line is secured by all of Ceres' assets.

### *Note 7 - Retirement Benefits*

Ceres maintains a retirement benefit plan under Section 403(b) of the Internal Revenue Code. This plan covers all eligible employees. Total expense under the plan was \$165,601 and \$154,197 for the years ended October 31, 2014 and 2013, respectively.

### *Note 8 - Operating Leases*

Commencing August 1, 2005, Ceres has leased office space under an operating lease, which expires November 30, 2016. Total expense related to this lease was \$257,575 and \$255,399 for the years ended October 31, 2014 and 2013, respectively.

Commencing December 21, 2012, Ceres leases office equipment under an operating lease which expires December 20, 2015. Expense under this lease was \$18,600 and \$18,367 for the years ended October 31, 2014 and 2013, respectively.

# CERES, INC.

## *Notes to Financial Statements*

### *Note 8 - Operating Leases (Continued)*

Minimum lease payments under these leases as of October 31, 2014 are as follows:

<i>Fiscal Years Ending October 31,</i>	<i>Amount</i>
2015	\$ 312,799
2016	300,628
2017	<u>24,794</u>
	<b><u>\$ 638,221</u></b>

### *Note 9 - Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following impact areas as of October 31:

	<i>2014</i>	<i>2013</i>
Sustainable Business Strategies	\$ 279,565	\$ 98,129
Sustainable Capital Markets	952,053	514,836
Climate and Clean Energy	1,525,190	1,384,337
Water	<u>655,471</u>	<u>264,475</u>
Subtotal grants for purpose restrictions	3,412,279	2,261,777
General purpose grants with time restrictions	<u>739,375</u>	<u>509,769</u>
<b>Total temporarily restricted net assets</b>	<b><u>\$ 4,151,654</u></b>	<b><u>\$ 2,771,546</u></b>

### *Note 10 - Net Assets Released from Restrictions*

Net assets released from restrictions include grant expenditures in accordance with the restricted purposes of Ceres' impact areas for the years ended October 31, 2014 and 2013.

	<i>2014</i>	<i>2013</i>
Sustainable Business Strategies	\$ 389,852	\$ 181,878
Sustainable Capital Markets	1,316,878	818,245
Climate and Clean Energy	2,647,818	1,876,375
Water	562,255	437,712
General purpose grants with time restrictions	<u>1,188,023</u>	<u>1,067,658</u>
<b>Total releases from restriction</b>	<b><u>\$ 6,104,826</u></b>	<b><u>\$ 4,381,868</u></b>

*Supplementary Information*



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*Independent Auditors' Report  
on the Supplementary Information*

Board of Directors  
Ceres, Inc.  
Boston, Massachusetts

We have audited the financial statements of Ceres, Inc. ("Ceres") as of and for the years ended October 31, 2014 and 2013, and have issued our report thereon dated March 5, 2015 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Revenue, Gains and Other Support for the year ended October 31, 2014 and Schedule of Expenses for the year ended October 31, 2014 are presented for the purpose of additional analysis and are 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.

*Mayer Hoffman McCann P.C.*

March 5, 2015  
Boston, Massachusetts

**CERES, INC.**

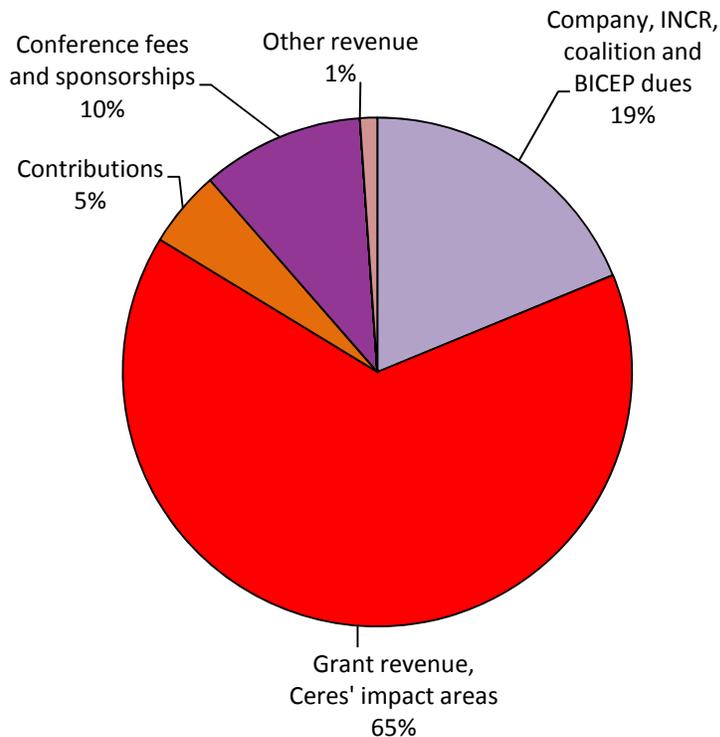
***Schedule of Revenues, Gains and Other Support***

***Year Ended October 31, 2014***

Revenues, gains and other support:

Company, INCR, coalition and BICEP dues	\$	2,120,590	
Grant revenue, Ceres' impact areas		7,328,268	
Contributions		552,032	
Conference fees and sponsorships		1,162,452	
Other revenue:			
In-kind contributions	\$	41,220	
Interest income		9,600	
Other		74,063	124,883
		<u>74,063</u>	<u>124,883</u>

**Total revenues, gains and other support** **\$ 11,288,225**



**CERES, INC.**

***Schedule of Expenses***

***Year Ended October 31, 2014***

Expenses:	
Program services	\$ 7,742,259
Management and general	996,839
Fundraising	<u>1,012,060</u>
<b>Total expenses</b>	<b>\$ <u><u>9,751,158</u></u></b>

