

**Financial Statements
and Supplementary Information**

Ceres, Inc.

October 31, 2016 and 2015



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, 2016 and 2015, 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.



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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, 2016 and 2015, 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 Heseman McCann P.C.

March 7, 2017
Boston, Massachusetts

CERES, INC.

Statements of Financial Position

October 31,

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,905,841	\$ 3,407,531
Investments (Note 1)	2,780,841	611,698
Accounts receivable, net (Note 3)	818,784	526,341
Grants receivable (Note 2)	2,473,736	1,230,911
Prepaid expenses	305,854	180,801
Total current assets	9,285,056	5,957,282
Long-term investments (Note 1)	1,314,540	2,813,776
Grants receivable, net of current portion (Note 2)	703,348	278,133
Security deposits	162,338	14,183
Property and equipment, net (Note 4)	1,708,139	139,460
Total assets	\$ 13,173,421	\$ 9,202,834
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 523,240	\$ 294,118
Accrued expenses	385,185	281,838
Deferred revenue	618,583	899,741
Deferred rent liability	189,098	51,422
Total current liabilities	1,716,106	1,527,119
Deferred rent liability - long term	452,879	1,115
Total liabilities	2,168,985	1,528,234
Net assets:		
Unrestricted (Note 8)	4,003,612	3,691,562
Temporarily restricted (Note 9)	7,000,824	3,983,038
Total net assets	11,004,436	7,674,600
Total liabilities and net assets	\$ 13,173,421	\$ 9,202,834

CERES, INC.

Statement of Activities

Years Ended October 31,

	2016			2015
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Total</i>
Revenues, gains and other support:				
Company, INCR, coalition and BICEP dues	\$ 2,231,107	\$ -	\$ 2,231,107	\$ 2,222,540
Grant revenue, Ceres' impact areas	300,070	10,404,772	10,704,842	6,552,458
Contributions	600,008	263,500	863,508	582,115
Conference fees and sponsorships	1,428,710	-	1,428,710	1,151,847
In-kind contributions	84,897	-	84,897	76,402
Interest income	34,469	-	34,469	20,643
Other revenue	245,270	-	245,270	105,143
	4,924,531	10,668,272	15,592,803	10,711,148
Net assets released from restrictions (Note 10):				
Satisfaction of program restrictions	7,650,486	(7,650,486)	-	-
	12,575,017	3,017,786	15,592,803	10,711,148
Expenses:				
Program services	10,045,646	-	10,045,646	8,523,300
Management and general	1,171,904	-	1,171,904	810,565
Fundraising	1,018,842	-	1,018,842	1,074,822
	12,236,392	-	12,236,392	10,408,687
Loss on disposal of property and equipment	26,575	-	26,575	-
Change in net assets	312,050	3,017,786	3,329,836	302,461
Net assets at beginning of year	3,691,562	3,983,038	7,674,600	7,372,139
Net assets at end of year	\$ 4,003,612	\$ 7,000,824	\$ 11,004,436	\$ 7,674,600

See accompanying notes to the financial statements.

CERES, INC.

Statement of Activities

Year Ended October 31, 2015

	2015		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Revenues, gains and other support:			
Company, INCR, coalition and BICEP dues	\$ 2,222,540	\$ -	\$ 2,222,540
Grant revenue, Ceres' impact areas	135,503	6,416,955	6,552,458
Contributions	433,115	149,000	582,115
Conference fees and sponsorships	1,151,847	-	1,151,847
In-kind contributions	76,402	-	76,402
Interest income	20,643	-	20,643
Other revenue	105,143	-	105,143
	4,145,193	6,565,955	10,711,148
Net assets released from restrictions (Note 10):			
Satisfaction of program restrictions	6,734,571	(6,734,571)	-
	10,879,764	(168,616)	10,711,148
Expenses:			
Program services	8,523,300	-	8,523,300
Management and general	810,565	-	810,565
Fundraising	1,074,822	-	1,074,822
	10,408,687	-	10,408,687
Change in net assets	471,077	(168,616)	302,461
Net assets at beginning of year	3,220,485	4,151,654	7,372,139
Net assets at end of year	\$ 3,691,562	\$ 3,983,038	\$ 7,674,600

CERES, INC.

Statement of Functional Expenses

Year Ended October 31, 2016

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries	\$ 4,942,531	\$ 650,029	\$ 597,859	\$ 6,190,419
Payroll taxes and fringe benefits (Note 6)	1,135,665	139,187	135,325	1,410,177
Professional fees	1,316,195	135,203	24,443	1,475,841
Organizational sub-grants	224,818	-	-	224,818
Advertising and paid media	67,180	-	-	67,180
Conferences and meetings	823,426	6,910	70,231	900,567
Travel expenses	497,412	4,873	40,694	542,979
Office supplies and expenses	429,767	43,726	84,837	558,330
Occupancy expense (Note 7)	442,953	50,463	49,057	542,473
Bad debt expense	-	44,750	-	44,750
Printing	23,096	-	-	23,096
In-kind expenses	5,000	79,897	-	84,897
Depreciation	137,603	16,866	16,396	170,865
	<u>\$ 10,045,646</u>	<u>\$ 1,171,904</u>	<u>\$ 1,018,842</u>	<u>\$ 12,236,392</u>

CERES, INC.

Statement of Functional Expenses

Year Ended October 31, 2015

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries	\$ 4,104,698	\$ 493,055	\$ 591,290	\$ 5,189,043
Payroll taxes and fringe benefits (Note 6)	934,514	105,385	127,401	1,167,300
Professional fees	1,631,964	79,937	56,404	1,768,305
Advertising and paid media	10,001	-	-	10,001
Conferences and meetings	612,530	5,906	124,173	742,609
Travel expenses	469,924	4,228	57,183	531,335
Office supplies and expenses	399,992	25,105	78,085	503,182
Occupancy expense (Note 7)	245,792	26,254	33,034	305,080
Bad debt expense	-	23,749	-	23,749
Printing	25,235	-	-	25,235
In-kind expenses	35,455	40,947	-	76,402
Depreciation	53,195	5,999	7,252	66,446
	<u>\$ 8,523,300</u>	<u>\$ 810,565</u>	<u>\$ 1,074,822</u>	<u>\$ 10,408,687</u>

CERES, INC.

Statements of Cash Flows

Years Ended October 31,

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ <u>3,329,836</u>	\$ <u>302,461</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	170,865	66,446
Loss on disposal of property and equipment	26,575	1,147
Change in accounts receivable	(292,443)	(148,719)
Change in pledges receivable	-	28,653
Change in grants receivable	(1,668,040)	113,814
Change in prepaid expenses	(125,053)	16,418
Change in security deposits	(148,155)	(1,500)
Change in accounts payable	(44,344)	67,715
Change in accrued expenses	103,347	(8,639)
Change in deferred revenue	(281,158)	96,292
Change in deferred rent liability	<u>589,440</u>	<u>(43,288)</u>
Total adjustments	<u>(1,668,966)</u>	<u>188,339</u>
Net cash provided by operating activities	<u>1,660,870</u>	<u>490,800</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,552,228	1,813,278
Purchase of investments	(3,222,135)	(3,130,993)
Purchase of property and equipment	<u>(1,492,653)</u>	<u>(66,760)</u>
Net cash used in investing activities	<u>(2,162,560)</u>	<u>(1,384,475)</u>
Net decrease in cash and cash equivalents	(501,690)	(893,675)
Cash and cash equivalents, beginning of year	<u>3,407,531</u>	<u>4,301,206</u>
Cash and cash equivalents, end of year	\$ <u><u>2,905,841</u></u>	\$ <u><u>3,407,531</u></u>
Supplemental disclosure of cash flow information:		
Capital expenditures included in accounts payable	<u>\$ 273,466</u>	<u>\$ -</u>

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 long-term sustainability challenges into corporate and investment practices and by doing so addressing global sustainability issues such as climate change, water scarcity and human rights.

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

Ceres is known for its unique ability to convene and mobilize powerful market players and institutions with diverse interests to consider and develop positive solutions to complex issues. For example, in January 2016 at the United Nations, Ceres brought together 500 leading global investors, as well as key policymakers and business executives, including UN Secretary General Ban Ki-moon, Michael Bloomberg and Al Gore, at the *Investor Summit on Climate Risk: Advancing the Clean Trillion*.

Ceres seeks practical, real-world results in five 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 economic results in all areas of the business, from the boardroom to operations, including supply chains. The Ceres Company Network includes 63 companies from two-dozen industries, including market leaders in technology, insurance, footwear & apparel, food & beverage, transportation, 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 bottom-line sustainability performance improvements, as outlined in the Ceres-authored *The 21st Century Corporation: The Ceres Roadmap for Sustainability*. The report was re-released in 2016 with revised corporate sustainability expectations.

In April 2014, Ceres released the report *Gaining Ground* ranking 600+ companies against 20 specific expectations in *The Ceres Roadmap*. Throughout 2016, the corporate program team actively engaged company network members, as well as companies outside the network, on key findings and leading practices identified in the *Gaining Ground* report. A key 2016 report in support of this effort was our white paper, *View from the Top: How Corporate Boards Can Engage on Sustainability*, which provides a set of recommendations for how boards can influence performance outcomes and raise the priority of sustainability among U.S. companies.

In March 2016, Ceres was awarded a multi-year grant through the Gordon and Betty Moore Foundation to serve as a co-architect of their Conservation and Financial Markets Initiative. A key outcome of this initiative is for a critical mass of companies to make and implement commitments to track, assess and manage for performance against environmental factors that pose significant business risks or opportunities, with a particular focus on deforestation and overfishing. This objective aligns with Ceres’ engagements with companies and investors.

CERES, INC.

Notes to Financial Statements

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

Nature of Activities (Continued)

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, companies and policymakers shift from short-term to longer-term thinking by focusing on incentives, policies and regulations that accelerate low-carbon business practices. Such actions will mitigate long-term threats posed by global climate change and promote the transition to a low carbon economy. Ceres directs the Investor Network on Climate Risk (INCR), a growing network of over 120 institutional asset owners and investment managers that collectively manage \$14 trillion of assets. Ceres has numerous INCR working groups that are active on carbon asset risk, sustainable water management, policy engagement and green bonds.

To foster corporate accountability for shareowners on issues of climate and sustainability, Ceres coordinated and/or tracked 174 shareholder resolutions in 2016, of which several dozen were withdrawn following negotiated commitments for improvement. Some of the resolutions also received record high voting support, including those filed with ExxonMobil and Chevron on their strategies for responding to a low-carbon global economy in accordance with the historic Paris Climate Agreement that was achieved in December 2015 and was formally entered into force in November 2016. The seventh biennial Investor Summit on Climate Risk, held in January 2016 at the United Nations, capped a hugely successful year of advocacy and action by investors, companies and policymakers to address climate change.

Climate and Clean Energy

Ceres promotes a sustainable global economy by championing low-carbon business, investor, and policy solutions to drive economic resilience and mitigate the impacts of climate change. The goal is to reduce 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 other business and investor solutions at the speed and scale necessary to avoid the worst impacts of climate change. Ceres convenes investors, technical experts, and representatives from energy intensive sectors to identify and advance clean energy and climate-resilient solutions. For example, 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 taken to address those risks. In October 2016, Ceres issued an *Insurance Climate Risk Disclosure Survey* report benchmarking 148 large U.S. insurers on their climate-related disclosure and strategies.

Throughout 2016, Ceres helped build the business case for clean energy transition in the United States through cutting-edge analysis and reports demonstrating the feasibility of carbon pollution reductions by electric utilities, as well as clean transportation. In June 2016, Ceres issued a report benchmarking the nation's 30 largest electric utility holding companies on their performance in advancing renewable energy and energy efficiency.

CERES, INC.

Notes to Financial Statements

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

Nature of Activities (Continued)

Policy

Through its policy program, Ceres aims to strengthen climate and clean energy policies at the state, federal and international levels, which will facilitate the faster transition to a clean energy global economy. Working in a bi-partisan manner, Ceres brings the voices of businesses and investors to advocate in Washington, DC and in key states across the country for climate and energy policies to strengthen our economy, reduce greenhouse gas emissions and provide jobs. Ceres directs the Business for Innovative Climate and Energy Policy (BICEP) coalition, comprised of 38 companies including a range of well-known consumer brands such as Unilever, Mars, Owens Corning, Starbucks, eBay and General Mills.

In November 2016, on the heels of the surprising presidential victory by Donald Trump, Ceres helped organize more than 365 companies to issue a public statement calling on the president-elect to not back out of the Paris Climate Agreement and to continue support for low-carbon policies in the United States. Ceres also mobilized numerous businesses to support key clean energy policies in various states, including Ohio, Michigan and Virginia, as well as the Northeast and Mid-Atlantic states which have a regional carbon-reducing agreement in place known as the Regional Greenhouse Gas Initiative.

Water

Ceres strives to advance business, investor, and government policies and practices to ensure abundant clean water supplies and healthy ecosystems. Ceres' campaign, Value Every Drop, focuses on three key sectors with huge water footprints in the United States — public water utilities, agriculture and the energy sector. Ceres is bringing unique capital market solutions to these challenges. We are changing the way businesses and utilities manage water, and the way 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. Ceres has also made enormous inroads on water policy issues in drought-plagued California, through its Connect the Drops company network, which now has more than two-dozen corporate members. Ceres and the World Wildlife Federation also launched an AgWater Challenge, an effort in which seven leading food & beverage companies announced new commitments to accelerate stronger water stewardship with growers in their global supply chains.

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 of accounting.

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 receivable, present value of future grant payments, decisions over what to capitalize and useful lives of depreciable assets, measurement of deferred revenue, function allocation of expenses and satisfaction of program restrictions for the release of restricted net assets.

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 grants 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 one month to two years and five months from fiscal year end. As of October 31, 2016, a number of certificates were scheduled to mature in the next 12 months. Cere's Board will consider how these funds should be reinvested.

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 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.

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	Lesser 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 earned ratably over 12 months from the date of receipt. 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.

Deferred Rent Liability

Ceres records rent on a straight-line basis over the term of the lease. The difference between the lease payment and the related expense for the year is deferred rent. The lease agreement also includes a tenant improvement allowance. The landlord incentive is required to be treated as a liability payable over the lease term as a reduction of rent expense. In 2016 and 2015, the amount of the tenant improvement was \$510,039 and \$1,275, respectively, which resulted in a reduction to rent expense of \$17,777 and \$12,780, respectively.

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 or grant 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 in 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.

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.

Contingencies

In conducting its activities, Ceres, from time to time, is the subject of various legal claims. Management believes that the ultimate resolution of such legal claims will not have a material effect on the financial statements of Ceres.

Subsequent Events

Ceres has evaluated subsequent events through March 7, 2017, the date the financial statements were authorized to be issued.

CERES, INC.

Notes to Financial Statements

Note 2 - Grants Receivable

Following is a summary of grants receivable at October 31:

	<i>2016</i>	<i>2015</i>
Grants receivable	\$ 3,190,237	\$ 1,513,912
Less: unamortized discount	<u>(13,153)</u>	<u>(4,868)</u>
Net grants receivable	3,177,084	1,509,044
Less: current portion	<u>2,473,736</u>	<u>1,230,911</u>
Grants receivable, net of current portion	<u>\$ 703,348</u>	<u>\$ 278,133</u>

Note 3 - Accounts Receivable

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

	<i>2016</i>	<i>2015</i>
Company, INCR, coalition and BICEP dues	\$ 243,000	\$ 237,500
Sponsorships	72,500	252,500
Reimbursed expenses	17,017	6,448
Tenant improvement allowance	474,199	-
Other	<u>54,901</u>	<u>51,976</u>
	861,617	548,424
Less: allowance	<u>(42,833)</u>	<u>(22,083)</u>
Accounts receivable, net	<u>\$ 818,784</u>	<u>\$ 526,341</u>

CERES, INC.

Notes to Financial Statements

Note 4 - Property and Equipment

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

	<i>2016</i>	<i>2015</i>
Furniture and fixtures	\$ 409,884	\$ 198,700
Leasehold improvements	1,256,895	142,939
Telephone equipment	121,346	37,471
Computer equipment and software	<u>354,371</u>	<u>264,133</u>
	2,142,496	643,243
Less: accumulated depreciation	<u>(434,357)</u>	<u>(503,783)</u>
Net property and equipment	<u>\$ 1,708,139</u>	<u>\$ 139,460</u>

Ceres entered into a 10-year lease effective November 1, 2016 for its offices at 99 Chauncy St., Boston, Massachusetts, expanding the rentable square feet from 10,626 to 15,006. Ceres has chosen to fund this expansion from its cash reserves. As of October 31, 2016, \$1,325,140 has been spent on leasehold improvements and furniture. The project was completed in February 2017. At October 31, 2016, the estimated cost projected for completing the office renovations is approximately \$930,000.

Note 5 - Line of Credit

Ceres has a revolving line of credit agreement with a bank due on demand. Borrowings under this agreement are limited to \$250,000. The line bears interest at the bank's prime lending rate, which was 3.50% and 3.25% as of October 31, 2016 and 2015, respectively, and outstanding balances are due upon demand. At October 31, 2016 and 2015, Ceres had no outstanding balance. The line is secured by all of Ceres' assets. The line of credit was renewed on January 25, 2017 and the limit was increased to \$750,000.

Note 6 - 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 \$197,509 and \$170,172 for the years ended October 31, 2016 and 2015, respectively.

CERES, INC.

Notes to Financial Statements

Note 7 - Operating Leases

Ceres leases office space for its main Boston office under an operating lease, which expires May 31, 2026. Total expense related to this lease was \$388,301 and \$294,199 for the years ended October 31, 2016 and 2015, respectively. During April 2016, Ceres amended this lease and also entered into a new lease for additional office space.

Ceres subleases office space in the state of California under an operating lease which expires March 31, 2017 and subject to automatic renewal on a two-month basis. Commencing February 1, 2016, Ceres subleased additional office space in California under an operating lease which expires March 31, 2017 and subject to automatic renewal on a two-month basis. Total expense related to this sublease was \$30,915 for the year ended October 31, 2016.

Ceres leased office equipment under an operating lease which expired December 20, 2016. Commencing February 18, 2016, Ceres leases office equipment under an operating lease that expires on February 28, 2019. Expense under this lease was \$19,849 and \$18,600 for the years ended October 31, 2016 and 2015, respectively.

Minimum lease payments under these leases as of October 31, 2016 are as follows:

<i>Fiscal Years Ending October 31,</i>	<i>Amount</i>
2017	\$ 636,551
2018	611,897
2019	613,296
2020	621,499
2021	636,505
Thereafter	<u>3,107,494</u>
	<u><u>\$ 6,227,242</u></u>

Note 8 - Unrestricted Net Assets

The following is a breakdown of unrestricted net assets as of October 31:

	<i>2016</i>	<i>2015</i>
Available for operations	\$ 1,212,937	\$ 1,852,821
Net investment in property and equipment	1,090,254	153,643
Board designated	<u>1,700,421</u>	<u>1,685,098</u>
Total temporarily restricted net assets	<u><u>\$ 4,003,612</u></u>	<u><u>\$ 3,691,562</u></u>

CERES, INC.

Notes to Financial Statements

Note 9 - Temporarily Restricted Net Assets

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

	2016	2015
Sustainable Business Strategies	\$ 363,678	\$ 29,698
Sustainable Capital Markets	965,918	389,630
Climate and Clean Energy	1,390,093	966,242
Policy	1,229,801	448,774
Water	<u>1,831,771</u>	<u>1,278,695</u>
Subtotal grants for purpose restrictions	5,781,261	3,113,039
General purpose grants with time restrictions	<u>1,219,563</u>	<u>869,999</u>
Total temporarily restricted net assets	<u>\$ 7,000,824</u>	<u>\$ 3,983,038</u>

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, 2016 and 2015.

	2016	2015
Sustainable Business Strategies	\$ 227,941	\$ 294,746
Sustainable Capital Markets	1,254,713	1,446,693
Climate and Clean Energy	1,663,926	1,377,616
Policy	1,339,718	1,433,641
Water	1,650,428	835,354
General purpose grants with time restrictions	<u>1,513,760</u>	<u>1,346,521</u>
Total releases from restriction	<u>\$ 7,650,486</u>	<u>\$ 6,734,571</u>

CERES, INC.

Notes to Financial Statements

Note 11 - Fiscal Sponsorships

For the year ended October 31, 2016, Ceres served as fiscal sponsor for the Global Initiative on Sustainability Ratings (GISR) and the Crane Institute of Sustainability (CIS) for its Intentional Endowments Network (IEN) project. In this capacity, Ceres receives funds on behalf of GISR and CIS and submits proceeds, net of a service fee, to these projects. As a fiscal sponsor, Ceres is responsible for ensuring funds are properly spent to achieve the projects' goals. As a condition to this arrangement, such goals must align with and further Ceres' mission. Under the fiscal sponsorship arrangements for the year ended October 31, 2016, Ceres received \$279,201 for GISR and \$6,000 for the IEN project. The service fee earned by Ceres totaled \$300.

CIS and GISR were granted status as 501(c)(3) organizations effective March 8, 2016 and October 31, 2016, respectively. As of March 2016, Ceres ceased acting as fiscal sponsor for CIS. Ceres anticipates continuing the fiscal sponsorship relationship with GISR until a grant fiscal sponsorship commitment expires in May 2017.

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, 2016 and 2015, and have issued our report thereon dated March 7, 2017 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 Revenues, Gains and Other Support for the year ended October 31, 2016 and Schedule of Expenses for the year ended October 31, 2016 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.

Maye Hoffman McCann P.C.

March 7, 2017
Boston, Massachusetts

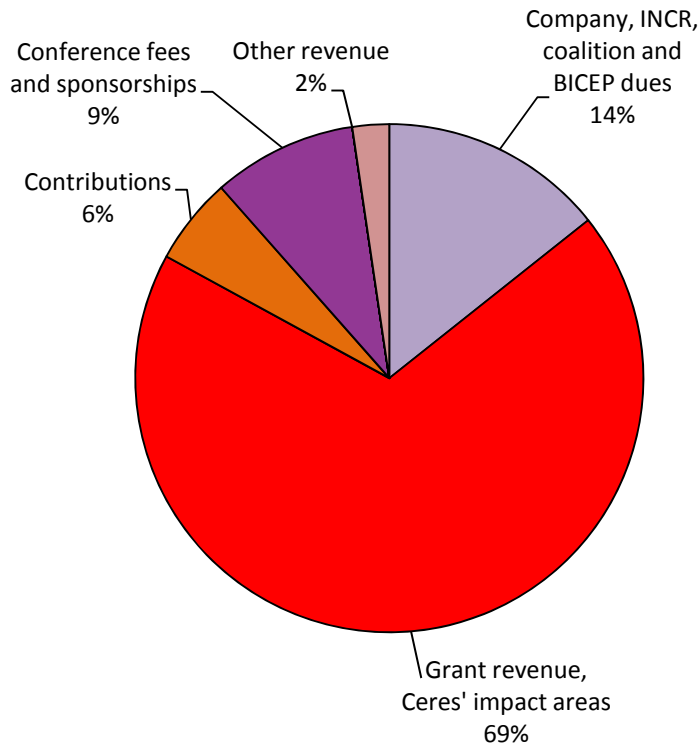
CERES, INC.

Schedule of Revenues, Gains and Other Support

Year Ended October 31, 2016

Revenues, gains and other support:

Company, INCR, coalition and BICEP dues	\$	2,231,107	
Grant revenue, Ceres' impact areas		10,704,842	
Contributions		863,508	
Conference fees and sponsorships		1,428,710	
Other revenue:			
In-kind contributions	\$	84,897	
Interest income		34,469	
Other revenue		245,270	
		<u>364,636</u>	
Total revenues, gains and other support	\$		<u><u>15,592,803</u></u>



CERES, INC.

Schedule of Expenses

Year Ended October 31, 2016

Expenses:	
Program services	\$ 10,045,646
Management and general	1,171,904
Fundraising	<u>1,018,842</u>
Total expenses	\$ <u><u>12,236,392</u></u>

