



Financial Statements

Ceres, Inc.

October 31, 2019 and 2018



CERES, INC.

Financial Statements

Table of Contents

Financial Statements:

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-19



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Ceres adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

March 3, 2020
Boston, Massachusetts

CERES, INC.

Statements of Financial Position

October 31,

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,772,303	\$ 5,614,649
Short-term investments (Note 1)	1,637,827	1,303,070
Accounts receivable, net (Note 3)	860,668	561,605
Grants receivable (Note 4)	5,903,731	4,821,992
Prepaid expenses	1,043,167	1,006,036
Total current assets	14,217,696	13,307,352
Long-term investments (Note 1)	4,623,802	2,631,200
Grants receivable, net of current portion (Note 4)	1,991,496	1,922,772
Security deposits	180,313	185,283
Property and equipment, net (Note 5)	2,256,821	2,643,971
Total assets	\$ 23,270,128	\$ 20,690,578
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 551,623	\$ 458,782
Accrued expenses and other liabilities	804,985	530,759
Deferred revenue	838,420	921,481
Deferred rent liability	162,913	181,497
Total current liabilities	2,357,941	2,092,519
Deferred rent liability - long term	1,077,919	1,175,035
Total liabilities	3,435,860	3,267,554
Net assets:		
Without donor restrictions (Note 9)	4,976,410	4,568,240
With donor restrictions (Note 9)	14,857,858	12,854,784
Total net assets	19,834,268	17,423,024
Total liabilities and net assets	\$ 23,270,128	\$ 20,690,578

See accompanying notes to the financial statements.

CERES, INC.

Statement of Activities

Year Ended October 31, 2019
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support:				
Network member dues	\$ 2,840,384	\$ -	\$ 2,840,384	\$ 2,650,807
Grant revenue	538,328	13,231,515	13,769,843	14,898,488
Contributions	1,255,231	1,132,052	2,387,283	999,176
Conference and other event fees	1,656,022	-	1,656,022	1,405,770
In-kind contributions	262,472	-	262,472	101,101
Interest income	91,765	-	91,765	63,198
Other revenue	420,072	-	420,072	348,164
	7,064,274	14,363,567	21,427,841	20,466,704
Net assets released from restrictions (Note 10):				
Satisfaction of program restrictions	12,360,493	(12,360,493)	-	-
	19,424,767	2,003,074	21,427,841	20,466,704
Expenses:				
Program services	15,621,456	-	15,621,456	14,246,350
Management and general	1,667,493	-	1,667,493	1,326,593
Fundraising	1,727,648	-	1,727,648	1,402,299
	19,016,597	-	19,016,597	16,975,242
Loss on disposal of property and equipment	-	-	-	1,924
Change in net assets	408,170	2,003,074	2,411,244	3,489,538
Net assets at beginning of year	4,568,240	12,854,784	17,423,024	13,933,486
Net assets at end of year	\$ 4,976,410	\$ 14,857,858	\$ 19,834,268	\$ 17,423,024

CERES, INC.

Statement of Activities

Year Ended October 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Network member dues	\$ 2,650,807	\$ -	\$ 2,650,807
Grant revenue	328,836	14,569,652	14,898,488
Contributions	728,475	270,701	999,176
Conference and other event fees	1,405,770	-	1,405,770
In-kind contributions	101,101	-	101,101
Interest income	63,198	-	63,198
Other revenue	348,164	-	348,164
	<hr/>	<hr/>	<hr/>
Total revenues, gains and other support	5,626,351	14,840,353	20,466,704
Net assets released from restrictions (Note 10):			
Satisfaction of program restrictions	11,839,347	(11,839,347)	-
	<hr/>	<hr/>	<hr/>
Net revenues, gains and other support	17,465,698	3,001,006	20,466,704
Expenses:			
Program services	14,246,350	-	14,246,350
Management and general	1,326,593	-	1,326,593
Fundraising	1,402,299	-	1,402,299
	<hr/>	<hr/>	<hr/>
Total expenses	16,975,242	-	16,975,242
Loss on disposal of property and equipment	1,924	-	1,924
	<hr/>	<hr/>	<hr/>
Change in net assets	488,532	3,001,006	3,489,538
Net assets at beginning of year	4,079,708	9,853,778	13,933,486
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 4,568,240	\$ 12,854,784	\$ 17,423,024
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CERES, INC.

Statement of Functional Expenses

Year Ended October 31, 2019
(with comparative totals for 2018)

	2019			2018	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 7,385,719	\$ 987,856	\$ 951,513	\$ 9,325,088	\$ 8,404,956
Payroll taxes and fringe benefits (Note 7)	1,750,140	271,506	225,934	2,247,580	2,094,208
Professional fees	1,767,502	131,779	71,713	1,970,994	1,742,793
Conferences and meetings	1,080,482	12,546	211,402	1,304,430	1,078,617
Organizational sub-grants	946,396	-	-	946,396	933,099
Office supplies and expenses	698,744	66,626	116,139	881,509	745,493
Occupancy expense (Note 8)	646,010	80,799	55,027	781,836	656,319
Travel expenses	684,467	4,451	53,775	742,693	623,433
Depreciation	377,120	54,343	37,009	468,472	437,908
In-kind expenses	225,627	36,845	-	262,472	101,101
Advertising and paid media	59,249	-	5,136	64,385	27,968
Bad debt expense	-	20,742	-	20,742	40,650
Fiscal sponsorship expense	-	-	-	-	88,697
	<u>\$ 15,621,456</u>	<u>\$ 1,667,493</u>	<u>\$ 1,727,648</u>	<u>\$ 19,016,597</u>	<u>\$ 16,975,242</u>

CERES, INC.

Statement of Functional Expenses

Year Ended October 31, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 6,725,495	\$ 805,582	\$ 873,879	\$ 8,404,956
Payroll taxes and fringe benefits (Note 7)	1,670,158	208,360	215,690	2,094,208
Professional fees	1,608,028	96,321	38,444	1,742,793
Conferences and meetings	1,021,799	9,174	47,644	1,078,617
Organizational sub-grants	933,099	-	-	933,099
Office supplies and expenses	610,605	41,417	93,471	745,493
Occupancy expense (Note 8)	541,925	59,837	54,557	656,319
Travel expenses	588,863	3,715	30,855	623,433
Depreciation	352,516	44,667	40,725	437,908
In-kind expenses	77,197	16,870	7,034	101,101
Advertising and paid media	27,968	-	-	27,968
Bad debt expense	-	40,650	-	40,650
Fiscal sponsorship expense	88,697	-	-	88,697
	<u>\$ 14,246,350</u>	<u>\$ 1,326,593</u>	<u>\$ 1,402,299</u>	<u>\$ 16,975,242</u>

CERES, INC.

Statements of Cash Flows

Years Ended October 31,

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,411,244	\$ 3,489,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	468,472	437,908
Loss on disposal of property and equipment	-	1,924
Change in accounts receivable	(299,063)	55,520
Change in grants receivable	(1,150,463)	(1,434,813)
Change in prepaid expenses	(37,131)	(594,306)
Change in security deposits	4,970	(22,945)
Change in accounts payable	92,841	(145,376)
Change in accrued expenses	274,226	40,382
Change in deferred revenue	(83,061)	(18,384)
Change in deferred rent liability	(115,700)	133,636
Total adjustments	(844,909)	(1,546,454)
Net cash provided by operating activities	1,566,335	1,943,084
Cash flows from investing activities:		
Proceeds from sale of investments	3,773,818	2,047,122
Purchase of investments	(6,101,177)	(1,748,878)
Purchase of property and equipment	(81,322)	(507,541)
Net cash used in investing activities	(2,408,681)	(209,297)
Net (decrease) increase in cash and cash equivalents	(842,346)	1,733,787
Cash and cash equivalents, beginning of year	5,614,649	3,880,862
Cash and cash equivalents, end of year	\$ 4,772,303	\$ 5,614,649
Supplemental disclosure of cash flow information:		
Capital expenditures included in accounts payable	\$ 3,057	\$ -

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

Ceres' mission is transforming the economy to build a sustainable future for people and the planet.

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. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses.

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. With cutting-edge research and high-level engagement, we inspire the most influential investors and companies to integrate environmental, social and governance practices into core business strategies and seize the opportunities embedded in the transition to a low-carbon economy. Ceres also mobilizes these leaders to support the corporate and government policies necessary to build a sustainable future for people and the planet.

Specifically we:

- Advance leading practices that ramp up global investments in clean energy and sustainable food and water.
- Set the highest bar for sustainability leadership for Fortune 500 firms and other influential companies.
- Deliver cutting-edge research and innovative tools to educate and inspire leaders across every sector of the economy to take action.
- Mobilize investor and company leaders to advocate for stronger climate, clean energy and water policies at the state and federal level.

Basis of Presentation

A summary of the accounting policies consistently applied in the financial statements follows:

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which requires that Ceres report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions include expendable funds available for support of Ceres, as well as funds invested in plant including property and equipment net of accumulated depreciation and amortization. Net assets without donor restrictions also include amounts designated by the Board of Directors (the "Board") for future use.

CERES, INC.

Notes to Financial Statements

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

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Net assets with donor restrictions 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.

Fair Value Measurements

Ceres reports required types of financial instruments in accordance with the fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 include listed equity and debt securities publicly traded on a stock exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, 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 require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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.

CERES, INC.

Notes to Financial Statements

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

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 and Investment Return

Ceres' investments in fixed-rate certificates of deposit are valued at cost plus accrued interest. Investments include certificates of deposit with a financial institution having maturities three months to three years from fiscal year end. Certificates of deposit with maturity dates of 12 months or less are included in short-term investments. Investment return is reported as interest income on the statement of activities.

Accounts Receivable

Accounts receivable includes network member dues and sponsorships for Ceres' annual conference, Ceres' bi-annual Investor Summit and Ceres' fundraising events. 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.

Property and Equipment

Property and equipment acquisitions are recorded at cost when such amounts are above management's threshold for capitalization and have a useful life of one year or more. 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:

	Years
Furniture and fixtures	5-7
Leasehold improvements	Lesser of term of lease or life of asset
Computer equipment and software	3-5

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

CERES, INC.

Notes to Financial Statements

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

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as net assets released from restrictions between the classes of net assets.

Network member dues are earned ratably over 12 months from the date of receipt. Conference and other event fees and sponsorships are reported as revenue on the first day of the event.

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 net assets with donor restrictions class, and a reclassification to net assets without donor restrictions 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 net assets without donor restrictions 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 net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

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.

CERES, INC.

Notes to Financial Statements

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

Deferred Revenue

Deferred revenue is recognized as a liability and represents network member dues and conference and other event fees that are paid in advance of the membership period or event.

Deferred Rent Liability

Ceres records rent expense 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 totaling \$1,372,990. The landlord incentive is required to be treated as a liability payable over the lease term as a reduction of rent expense. There were no tenant improvement additions in 2019. In 2018, the amount of the tenant improvement additions was \$232,570. The straight-line amortization of the tenant improvement allowance resulted in a reduction to rent expense of \$148,455 and \$139,058 for 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses have been allocated to functional classifications based on time and effort percentages.

Advertising

Ceres expenses advertising costs as incurred.

Income Tax Status

Ceres is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities, management has concluded that disclosures related to tax provisions are not necessary. Accordingly, no provision for income taxes is made in the financial statements.

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.

CERES, INC.

Notes to Financial Statements

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

Uncertain Tax Positions (Continued)

Ceres has identified its tax status as a tax exempt entity and its determination of which activities are related and unrelated as Ceres' 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. Ceres' Federal and state income tax returns are generally open for examination for the past three years following the date of filing the related return.

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.

New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Ceres has adopted ASU No. 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Ceres has evaluated subsequent events through March 3, 2020, the date the financial statements were authorized to be issued.

Note 2 - Liquidity and Availability of Resources

Ceres regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Ceres has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit at varying maturities and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Ceres considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Ceres seeks to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identify the sources and uses of Ceres' cash and shows positive cash generated by operations for the years ended October 31, 2019 and 2018.

CERES, INC.

Notes to Financial Statements

Note 2 - Liquidity and Availability of Resources (Continued)

As of October 31, 2019, the following table shows financial assets held by Ceres that are available within one year of the statement of financial position date to meet general expenditures:

Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	\$ 4,772,303
Investments	1,637,827
Accounts receivable	860,668
Grants receivable	<u>5,903,731</u>
Total financial assets at year end	\$ <u>13,174,529</u>

Note 3 - Accounts Receivable

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

	2019	2018
Network member dues	\$ 85,550	\$ 218,575
Sponsorships	313,000	295,000
Reimbursed expenses	14,570	21,507
Other	<u>451,715</u>	<u>52,898</u>
	864,835	587,980
Less: allowance	<u>(4,167)</u>	<u>(26,375)</u>
Accounts receivable, net	\$ <u>860,668</u>	\$ <u>561,605</u>

CERES, INC.

Notes to Financial Statements

Note 4 - Grants Receivable

Following is a summary of grants receivable at October 31:

	2019	2018
Grants receivable	\$ 7,945,413	\$ 6,819,377
Less: unamortized discount	<u>(50,186)</u>	<u>(74,613)</u>
Net grants receivable	7,895,227	6,744,764
Less: current portion	<u>5,903,731</u>	<u>4,821,992</u>
Grants receivable, net of current portion	<u>\$ 1,991,496</u>	<u>\$ 1,922,772</u>

Note 5 - Property and Equipment

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

	2019	2018
Furniture and fixtures	\$ 676,107	\$ 659,622
Leasehold improvements	2,474,526	2,462,817
Computer equipment and software	<u>520,050</u>	<u>513,103</u>
	3,670,683	3,635,542
Less: accumulated depreciation	<u>(1,413,862)</u>	<u>(991,571)</u>
Net property and equipment	<u>\$ 2,256,821</u>	<u>\$ 2,643,971</u>

Note 6 - Line of Credit

Ceres has a revolving line of credit agreement with a bank, which is due on demand. The line of credit was renewed on May 24, 2019 in the amount of \$750,000. The line is secured by all of Ceres' assets. The line bears interest at the bank's prime lending rate, which was 4.75% and 5.25% as of October 31, 2019 and 2018, respectively. At October 31, 2019 and 2018, Ceres had no outstanding balance and the line was not utilized during the years then ended.

CERES, INC.

Notes to Financial Statements

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 \$309,102 and \$279,307 for the years ended October 31, 2019 and 2018, respectively.

Note 8 - 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 \$779,728 and \$663,047 for the years ended October 31, 2019 and 2018, respectively.

During July, 2018, Ceres entered into a lease for office space in California under an operating lease which expires on February 28, 2022. Total expense related to the California locations was \$66,129 and \$56,356 for the years ended October 31, 2019 and 2018, respectively.

Ceres leases office equipment under an operating lease that expires on February 15, 2022. Expense under this lease was \$16,188 and \$20,410 for the years ended October 31, 2019 and 2018, respectively.

Minimum lease payments under these leases as of October 31, 2019 are as follows:

<i>Fiscal Years Ending October 31,</i>	<i>Amount</i>
2020	\$ 882,787
2021	903,414
2022	864,219
2023	854,064
2024	872,648
Thereafter	<u>1,417,441</u>
	<u>\$ 5,794,573</u>

Commencing July 18, 2018, Ceres subleased a portion of their Boston office space to a tenant which expires on July 31, 2020. Total income recorded by Ceres related to this sublease was \$172,639 and \$49,399 for the years ended October 31, 2019 and 2018, respectively.

Minimum rental income under the sublease as of October 31, 2019 is as follows:

<i>Fiscal Year Ending October 31,</i>	<i>Amount</i>
2020	\$ 131,492

CERES, INC.

Notes to Financial Statements

Note 9 - Net Assets

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

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Detail of Net Assets			
Operating funds:			
Available for operations	\$ 816,604	\$ -	\$ 816,604
Net investment in property and equipment	1,459,806	-	1,459,806
Board designated	2,700,000	-	2,700,000
Donor-restricted funds:			
Sustainable Business Strategies	-	864,397	864,397
Sustainable Capital Markets	-	4,268,537	4,268,537
Climate and Energy	-	1,975,849	1,975,849
Policy	-	2,886,076	2,886,076
Water and Food	-	3,216,348	3,216,348
General purpose grants with time restrictions	-	1,646,651	1,646,651
Total donor-restricted funds	<u>-</u>	<u>14,857,858</u>	<u>14,857,858</u>
Total net assets	\$ <u>4,976,410</u>	\$ <u>14,857,858</u>	\$ <u>19,834,268</u>
	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Detail of Net Assets			
Operating funds:			
Available for operations	\$ 664,768	\$ -	\$ 664,768
Net investment in property and equipment	1,703,472	-	1,703,472
Board designated	2,200,000	-	2,200,000
Donor-restricted funds:			
Sustainable Business Strategies	-	517,146	517,146
Sustainable Capital Markets	-	3,538,962	3,538,962
Climate and Energy	-	2,415,478	2,415,478
Policy	-	1,933,934	1,933,934
Water and Food	-	3,249,851	3,249,851
General purpose grants with time restrictions	-	1,199,413	1,199,413
Total donor-restricted funds	<u>-</u>	<u>12,854,784</u>	<u>12,854,784</u>
Total net assets	\$ <u>4,568,240</u>	\$ <u>12,854,784</u>	\$ <u>17,423,024</u>

CERES, INC.

Notes to Financial Statements

Note 10 - Net Assets Released from Restrictions

Net assets released from restrictions include grant expenditures in accordance with the restricted purposes of Ceres' program initiatives for the years ended October 31:

	2019	2018
Sustainable Business Strategies	\$ 564,632	\$ 992,134
Sustainable Capital Markets	3,305,777	2,619,542
Climate and Energy	2,168,012	2,214,288
Policy	2,450,812	2,257,654
Water and Food	2,483,262	2,470,884
General purpose grants with time restrictions	<u>1,387,998</u>	<u>1,284,845</u>
Total releases from restriction	<u>\$ 12,360,493</u>	<u>\$ 11,839,347</u>