

SDSN Association, Inc. and Affiliate

Consolidated Financial Statements
Years Ended June 30, 2022 and 2021

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SDSN Association, Inc. and Affiliate

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Independent Auditors' Report

To the Board of Directors of SDSN Association, Inc.

Opinion

We have audited the accompanying consolidated financial statements of SDSN Association, Inc., which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SDSN Association, Inc. as of June 30, 2022 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDSN Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDSN Association, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SDSN Association, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDSN Association, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited SDSN Association, Inc. and Affiliate's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

November 22, 2022

SDSN Association, Inc. and Affiliate

Consolidated Statements of Activities and Changes in Net Assets Year Ended June 30, 2022 (with summarized comparative totals for 2021)

	2022		Total	2021
	Without Donor Restrictions	With Donor Restrictions		
Revenue and support				
Government grants	\$ -	\$ 2,370,664	\$ 2,370,664	\$ 2,737,159
Foundation and other contributions	3,272,311	4,554,606	7,826,917	9,629,350
In-kind contributions	147,959	-	147,959	36,196
Fees for service	1,185,858	-	1,185,858	871,347
Miscellaneous revenue	27,224	-	27,224	8,511
Net assets released from restrictions	7,143,778	(7,143,778)	-	-
Total revenue and support	<u>11,777,130</u>	<u>(218,508)</u>	<u>11,558,622</u>	<u>13,282,563</u>
Expenses				
Program services	8,633,073	-	8,633,073	9,949,737
Management and general	2,018,760	-	2,018,760	1,316,987
Fundraising	214,342	-	214,342	180,803
Total expenses	<u>10,866,175</u>	<u>-</u>	<u>10,866,175</u>	<u>11,447,527</u>
Change in net assets	910,955	(218,508)	692,447	1,835,036
Net assets, beginning of year	<u>2,440,663</u>	<u>3,847,926</u>	<u>6,288,589</u>	<u>4,453,553</u>
Net assets, end of year	<u>\$ 3,351,618</u>	<u>\$ 3,629,418</u>	<u>\$ 6,981,036</u>	<u>\$ 6,288,589</u>

The accompanying notes are an integral part of these financial statements.

SDSN Association, Inc. and Affiliate

Consolidated Statements of Functional Expenses Year Ended June 30, 2022 (with summarized comparative totals for 2021)

	2022				2021
	Program Services	Management and General	Fundraising	Total	
Salaries, fees, payroll taxes, benefits	\$ 4,810,406	\$ 1,396,405	\$ 213,036	\$ 6,419,847	\$ 5,666,412
Professional fees	35,524	91,479	-	127,003	172,640
Legal fees	-	53,234	-	53,234	32,364
Media production	106,378	522	-	106,900	216,008
Grant and contract expense	1,672,100	37	-	1,672,137	1,758,991
Subawards	1,508,773	-	-	1,508,773	2,730,694
Conferences and meetings	17,912	5,577	-	23,489	13,917
Travel and lodging	77,020	6,752	-	83,772	12,049
Occupancy	211,632	130,793	-	342,425	414,653
Office supplies, software, cloud services, other	163,894	154,494	1,257	319,645	270,388
Administrative services and training fees	7,076	118,191	-	125,267	104,572
Insurance	2,343	29,611	-	31,954	26,956
Dues and subscriptions	5,634	726	49	6,409	1,965
Depreciation	-	25,032	-	25,032	22,803
Bad debt expense	-	-	-	-	2,250
Foreign currency translation loss	14,382	5,906	-	20,288	865
Total expenses	\$ 8,633,073	\$ 2,018,760	\$ 214,342	\$ 10,866,175	\$ 11,447,527

The accompanying notes are an integral part of these financial statements.

SDSN Association, Inc. and Affiliate

Consolidated Statements of Cash Flows

Year Ended June 30, 2022 (with summarized comparative totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 692,447	\$ 1,835,036
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Loss on disposal of property and equipment	535	-
Bad debt expense	-	2,250
Depreciation	25,032	22,803
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	1,640,131	(2,008,036)
Accounts payable and accrued expenses	67,980	(801,430)
Other receivables	25,196	2,729
Prepaid expenses and other assets	(170,420)	36,232
Contract liabilities	(718,228)	512,047
Refundable advances	-	(281,218)
Net cash provided (used in) by operating activities	<u>1,562,673</u>	<u>(679,587)</u>
Cash flows from investing activities		
Purchase of property and equipment	(43,821)	(20,470)
Sale of property and equipment	-	390
Net cash used in investing activities	<u>(43,821)</u>	<u>(20,080)</u>
Net increase (decrease) in cash	1,518,852	(699,667)
Cash, beginning of year	<u>6,014,072</u>	<u>6,713,739</u>
Cash, end of year	<u>\$ 7,532,924</u>	<u>\$ 6,014,072</u>

The accompanying notes are an integral part of these financial statements.

SDSN Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements Years Ended June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies

SDSN Association, Inc. (“SDSN Association”) and Affiliate (collectively, the “Association”), is a non-profit New York corporation that was incorporated to support the UN Sustainable Development Solutions Network (“SDSN”).

SDSN was formed in August 2012, at the request of the UN Secretary-General Ban Ki Moon to mobilize global scientific and technological expertise to promote practical problem solving for sustainable development, including the design and implementation of the Sustainable Development Goals (“SDGs”). Following their adoption in 2015, SDSN is focused on supporting implementation of the SDGs at local, national and global scales. SDSN aims to accelerate joint learning and to help overcome the compartmentalization of technical and policy work by promoting integrated approaches to the interconnected economic, social and environmental challenges confronting the world.

SDSN’s work is organized into three major programmatic areas: a global system of National and Regional Networks including the SDSN Youth program that mobilizes the knowledge community for action on the SDGs, the SDG Academy that develops and distributes free online education materials on the SDGs for a global audience, and our Research and Policy work that translates scientific evidence and ideas into solutions and accountability. SDSN’s Research and Policy portfolio includes the annual Sustainable Development Report and local indices reports, the Science Panel for the Amazon, modelling and policy analysis on sustainable food and land use, climate work, initiatives on happiness and wellbeing, and a program to advance the data revolution for sustainable development. SDSN works closely with the United Nations, academic institutions, think tanks, multilateral financing institutions, the private sector and civil society.

SDSN Association was incorporated in Delaware in March 2014 and is based in New York City. SDSN is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code (the “Code”) and is classified as a publicly supported organization described in section 509(a)(1) of the Code. SDSN has an office in Paris as well as New York City. SDSN Association Paris (“SDSN Paris”) was established under the French non-profit organizations law of 1901 to facilitate the Paris operations. The activities of SDSN Paris are included in these consolidated financial statements.

Summary of Significant Accounting Policies

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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America. The net assets of the Association and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management’s discretion.

Net Assets with Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

At June 30, 2022 and 2021, there were no net assets with Board designations.

SDSN Association, Inc. and Affiliate

Cash

The Association maintains cash in two bank accounts in the United States which, at times may exceed federally-insured limits of \$250,000. The Association has not experienced any losses in such accounts. The Association also maintains one bank account in France.

Grants and Contributions Receivable

Grants and contributions that are expected to be collected within one year are recorded at net realizable value. Grants and contributions due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. Grants and contributions receivable are periodically evaluated for collectability. Changes in the estimated collectability of the receivables are recorded in the statement of activities in the period in which the estimate is revised.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets which range from three to five years. Additions are capitalized, whereas costs of maintenance and repairs are charged to expense as incurred.

Contributions and Government Grants

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

The Association receives grants funding from various funding sources that specify certain conditions to be met. Accordingly, the Association records these funds as contract liabilities when received and recognizes these as contributions when the conditions are fulfilled.

Fee for Service Revenue

Fees for services are generally recognized at the point in time that performance under the arrangement is completed or the contract is cancelled. However, for certain contracts, revenue is recognized over time in which the performance obligations are simultaneously provided by SDSN and consumed by the counterparty. In some circumstances, significant judgement is needed to determine the timing and measure of progress appropriate for revenue recognition under a specific contract. Contract liabilities arise when funds are received in advance of the services being provided.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

Foreign Currency Translation

Foreign currency translation gains and losses are the inherent result of the process of translation to U.S. dollars. For financial reporting purposes, SDSN's foreign operations are stated in U.S. dollars. These gains and losses are shown as a component of operations in the statement of functional expenses.

In-Kind Contributions

In-kind contributions for services or the use of equipment, materials or facilities at less than fair value are recorded at their fair value in accordance with accounting literature, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

Principles of Consolidation

The consolidated financial statements include the accounts of SDSN Association and SDSN Paris. SDSN Paris is related in that they have a common Board of Directors and SDSN Association has an economic interest in SDSN Paris. All material intercompany transactions and balances are eliminated in consolidation.

SDSN Association, Inc. and Affiliate

Summarized Prior Year Information

The statements of activities and changes in net assets and functional expenses includes certain prior year summarized comparative information in total, which does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

2. Grants and Contributions Receivable

Grants and contributions receivable expected to be collected at June 30, are as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 2,142,335	\$ 3,782,466
	<u>\$ 2,142,335</u>	<u>\$ 3,782,466</u>

3. Property and Equipment

Property and equipment consists of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Computers and software	\$ 126,590	\$ 108,647
Furniture, fixtures and equipment	19,957	15,861
	<u>146,547</u>	<u>124,508</u>
Less: accumulated depreciation	<u>(94,549)</u>	<u>(90,764)</u>
	<u>\$ 51,998</u>	<u>\$ 33,744</u>

For the years ended June 30, 2022 and 2021, depreciation amounted to \$25,032 and \$22,803, respectively.

4. Refundable Advances

Paycheck Protection Program

On April 9, 2020, the Association secured a loan from a bank for \$532,022 through the U.S. Small Business Administration's Paycheck Protection Program. The loan has an interest rate of 1% and matures at April 9, 2022.

The Association has accounted for the loan proceeds in accordance with ASC 958-605 and considered the loan a conditional contribution until July 14, 2021 when it was forgiven. Based on qualifying expenses incurred as of June 30, 2022 and 2021, the amount eligible for forgiveness amounted to \$0 and \$281,218, respectively and is included in government grants.

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5. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, consists of the following:

	2022	2021
Academy/Education	\$ 807,366	\$ 453,927
Networks	62,022	51,499
Policy & Research	2,727,431	2,893,064
Management	32,599	449,436
	<u>\$ 3,629,418</u>	<u>\$ 3,847,926</u>

6. In-Kind Contributions

The fair value of donated legal, accounting, technology and web services included as contributions in the consolidated financial statements and the corresponding program expenses amount to \$147,959 and \$36,196 for the years ended June 30, 2022 and 2021, respectively. This amount represents services provided directly to the Association during the period.

Non-financial contributions category	Type of contributions for beneficiaries	Valuation	2022	2021
In-kind media	Digital campaign	Third-party rates for numbers of clicks and impressions	\$ 28,372	\$ 11,752
In-kind consulting services	Pro bono consulting services from the president of SDSN	Estimates using historical compensation of individuals in similar roles	74,948	-
In-kind legal services	Pro bono legal services	Estimated third party billing rates	38,710	21,425
In-kind accounting services	Professional accounting services	Estimated third party billing rates	5,929	3,019
			<u>\$ 147,959</u>	<u>\$ 36,196</u>

7. Fee for Service Revenue

During the years ended June 30, 2022 and 2021, the Association generated fees of \$1,056,542 and \$645,462, respectively, from consulting and support for online courses (production, marketing and technical), and payroll administrative services, \$89,814 and \$181,024, respectively, from academy certificate income. The Association also generated \$39,502 and \$44,861 of membership and subscription income for the year ended June 30, 2022 and 2021.

8. Conditional Grants

In 2016, a conditional grant in the amount of \$6,500,000 was awarded to the Association to be received over five years. The grant is recognized when conditions are met. For the years ended June 30, 2022 and 2021, approximately \$742,000 each year, has been recognized as revenue and support. As of June 30, 2022, the full amount of the grant has been recognized and there are no remaining conditional amounts.

During the year ended June 30, 2021, a conditional grant in the amount of \$4,182,164 was awarded to the Association to be received over five years. The grant is recognized when conditions are met. For the years ended June 30, 2022 and 2021, approximately \$841,500 and \$500,000, respectively, has been recognized as revenue and support.

During the year ended June 30, 2021, the Association was awarded a grant in the amount of \$5,000,000. The grant contains certain conditions upon which future funding will be disbursed. The Association recorded \$2,000,000 of contribution receivable for the amount earned as of June 30, 2021. The remaining \$3,000,000 will be recognized upon the Association meeting the conditions outlined in the grant agreement. No revenue was recorded in the year ended June 30, 2022.

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9. Liquidity and Availability of Resources

The Association's financial assets available within one year of the statements of financial position date for general expenditures is as follows:

	2022
Cash and cash equivalents	\$ 7,532,924
Grants and contributions receivable	2,142,335
Other receivables	19,235
Total financial assets available within one year	9,694,494
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	(3,629,418)
Cash received from conditional contributions	(1,603,570)
Total financial assets available to management for general expenditures within one year	\$ 4,461,506

Liquidity Management

The Association maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

10. Concentrations

A significant portion of SDSN's grants and contributions receivable consists of amounts from various organizations.

As of June 30, 2022, approximately 74% of total grants and contributions receivable is from a single Organization for two different grants. For the year ended June 30, 2022, approximately 10% of total contributions recognized is from a single Organization.

As of June 30, 2021, approximately 53% of total grants and contributions receivable is from a single Organization for two different grants. For the year ended June 30, 2021, approximately 17% of total contributions recognized is from a single Organization.

11. Commitments

The Association leases office space in New York and Paris under non-cancellable operating leases expiring in 2024 and 2026, respectively. During the years ended June 30, 2022 and 2021, the Association incurred occupancy expense of approximately \$342,000 and \$415,000, respectively. Approximate future minimum obligations under the leases are as follows:

Years Ended June 30,	Amount
2023	\$ 241,000
2024	241,000
2025	68,000
2026	68,000
Total	\$ 618,000

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12. Employee Benefits Plan

In 2017, the Association established a 401(k) defined contribution pension plan covering all employees who have reached the age of 21. Pension expense for the years ended June 30, 2022 and 2021, was \$136,599 and \$114,473, respectively.

13. Risks and Uncertainties

The COVID-19 pandemic, initially declared by the World Health Organization on March 11, 2020, continued throughout the entire financial year 2021-2022. Senior leadership and the operations team monitored the local situation closely to ensure compliance with evolving local regulations. Staff in New York and Paris continued to work remotely until mid-2021 when both local offices implemented hybrid working policies that permitted staff to work remotely or in office. In office working protocols were also maintained to ensure proper monitoring of capacity limitations and strict sanitary protocols. Throughout this time, particular attention continued to be paid to the health and wellbeing of staff, with frequent remote team and office meetings maintained and equipment for longer-term working from home arrangements purchased.

Despite initial fears in the spring of 2020 of a potential negative impact of the pandemic on the financial health of the organization, signed commitments from donors have been maintained in full, and the organization has successfully mobilized new funds from current and new donors for programmatic and core activities, which have enabled SDSN's team and work portfolio to expand. Travel and in-person events began to increase in 2022, however SDSN staff have continued to remain engaged in the broader development community through virtual fora as well. Programmatic activities were implemented on schedule, with SDSN's work becoming even more urgent in the face of the world's lagging progress – compounded by the COVID-19 pandemic – towards meeting the Sustainable Development Goals by 2030. To date, there has therefore been no adverse effect of the pandemic on SDSN's operational and financial health. Senior leadership nonetheless continues to be focused on cultivating donor relationships and mobilizing new funds, in close consultation with the SDSN Association Board.

14. Subsequent Events

The Association has evaluated subsequent events through November 22, 2022, the date the consolidated financial statements were available for issuance.

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