

**SDSN Association, Inc.  
and Affiliate**

**Consolidated Financial Statements  
Years Ended June 30, 2017 and 2016**



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*June 30, 2017 and 2016*

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## *Independent Auditors' Report*

To the Board of Directors of  
SDSN Association, Inc.

We have audited the accompanying consolidated financial statements of SDSN Association, Inc. and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SDSN Association, Inc. and Affiliate as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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**Report on Summarized Comparative Information**

The June 30, 2016 financial statements, whose report dated December 30, 2016, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mazars USA LLP*

January 12, 2017

## SDSN Association, Inc. and Affiliate

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### *Consolidated Statements of Financial Position*

*June 30, 2017 (with comparative totals for 2016)*

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash	\$ 2,728,897	\$ 1,460,274
Grants and contributions receivable	839,849	874,042
Other receivables	65,382	-
Prepaid expenses and other assets	181,295	-
Property and equipment, net	<u>28,342</u>	<u>7,130</u>
 Total assets	 <u>\$ 3,843,765</u>	 <u>\$ 2,341,446</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 767,840	\$ 18,190
Amounts raised on behalf of others	<u>212,718</u>	<u>100,000</u>
Total liabilities	<u>980,558</u>	<u>118,190</u>
 Net assets		
Unrestricted	1,363,675	313,570
Temporarily restricted	<u>1,499,532</u>	<u>1,909,686</u>
Total net assets	<u>2,863,207</u>	<u>2,223,256</u>
 Total liabilities and net assets	 <u>\$ 3,843,765</u>	 <u>\$ 2,341,446</u>

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

## SDSN Association, Inc. and Affiliate

### *Consolidated Statements of Activities and Changes in Net Assets* *Year Ended June 30, 2017 (with comparative totals for 2016)*

			Total	
	Unrestricted	Temporarily Restricted	2017	2016
Revenue and support				
Government grants	\$ -	\$ 923,284	\$ 923,284	\$ 119,767
Foundation and other contributions	2,170,500	2,456,790	4,627,290	2,553,513
In-kind contributions	49,003	-	49,003	268,627
Miscellaneous revenue	12,077	-	12,077	-
Net assets released from restrictions	<u>3,790,228</u>	<u>(3,790,228)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,021,808</u>	<u>(410,154)</u>	<u>5,611,654</u>	<u>2,941,907</u>
Expenses				
Program services	4,437,044	-	4,437,044	595,050
Management and general	439,758	-	439,758	115,199
Fundraising	94,901	-	94,901	8,402
Total expenses	<u>4,971,703</u>	<u>-</u>	<u>4,971,703</u>	<u>718,651</u>
Change in net assets	1,050,105	(410,154)	639,951	2,223,256
Net assets, beginning of year	<u>313,570</u>	<u>1,909,686</u>	<u>2,223,256</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,363,675</u>	<u>\$ 1,499,532</u>	<u>\$ 2,863,207</u>	<u>\$ 2,223,256</u>

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

## SDSN Association, Inc. and Affiliate

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### *Consolidated Statements of Functional Expenses*

*Year Ended June 30, 2017 (with comparative totals for 2016)*

				Total	
	Program Services	Management and General	Fundraising	2017	2016
Salaries, payroll taxes, benefits	\$ 1,867,302	\$ 212,026	\$ 94,901	\$ 2,174,229	\$ 211,929
Professional fees	311,098	70,862	-	381,960	26,338
Legal fees	-	57,029	-	57,029	30,195
Media production	1,008,690	-	-	1,008,690	389,067
Grant and contract expense	207,877	-	-	207,877	-
Subawards	255,562	-	-	255,562	-
Conferences	137,103	120	-	137,223	2,950
Travel and lodging	447,986	11,005	-	458,991	16,197
Occupancy	158,993	37,883	-	196,876	12,650
Office supplies and other	23,580	4,770	-	28,350	3,556
Administrative services	-	16,827	-	16,827	-
Insurance	-	15,549	-	15,549	-
Dues and subscriptions	18,853	7,145	-	25,998	24,758
Depreciation	-	5,312	-	5,312	1,011
Foreign currency translation loss	-	1,230	-	1,230	-
Total expenses	<u>\$ 4,437,044</u>	<u>\$ 439,758</u>	<u>\$ 94,901</u>	<u>\$ 4,971,703</u>	<u>\$ 718,651</u>

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

## SDSN Association, Inc. and Affiliate

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### *Consolidated Statements of Cash Flows* *Year Ended June 30, 2017 (with comparative totals for 2016)*

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 639,951	\$ 2,223,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,312	1,011
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	34,193	(874,042)
Accounts payable and accrued expenses	749,650	18,190
Other receivables	(65,382)	
Prepaid expenses and other assets	(181,295)	
Amounts raised on behalf of others	112,718	100,000
Net cash provided by operating activities	<u>1,295,147</u>	<u>1,468,415</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(26,524)</u>	<u>(8,141)</u>
Net cash used in investing activities	<u>(26,524)</u>	<u>(8,141)</u>
Net increase in cash	1,268,623	1,460,274
Cash, beginning of year	<u>1,460,274</u>	<u>-</u>
Cash, end of year	<u>\$ 2,728,897</u>	<u>\$ 1,460,274</u>

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



# **SDSN Association, Inc. and Affiliate**

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## *Notes to the Consolidated Financial Statements*

*Year Ended June 30, 2017 and 2016*

### **1. Organization**

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 works closely with the United Nations, 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. It received its 501(c)(3) tax exempt status from the Internal Revenue Service on September 22, 2015 and is classified as a publicly supported organization described in section 509(a)(1) of the Internal Revenue Code. SDSN Association began full operations on November 10, 2015. Through June 30, 2016, SDSN Association hosted the SDG Academy (formerly known as SDSNedu), an online education initiative of SDSN focused on creating and curating the best educational content on the SDGs. From July 1, 2016 onwards, SDSN Association also hosts the Secretariat of SDSN, a small team that manages the work of SDSN, previously hosted by Columbia University. The Secretariat 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. The financial statements for the fiscal year ended June 30, 2016 represent the operations of SDSN Association as a host for the SDG Academy and selected SDSN activities. The consolidated financial statements for the fiscal year ending June 30, 2017 reflect the operations of the Secretariat and the SDG Academy as full cost centers of the Association, along with general operations.

### **2. 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 Association is required to report 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. The Association has no permanently restricted net assets at June 30, 2016 and 2017.

## **SDSN Association, Inc. and Affiliate**

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### **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 two bank accounts 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.

### **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. 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 restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Due to the efforts generating grants and contributions by the Association, contributions intended for the benefit of others, which were disbursed to them, and is reflected on the consolidated statements of financial position.

### **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

### **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.

### **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.

### **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.

### **Reclassification**

Certain prior year balances have been reclassified to conform to current year presentation. Prior year net income has not been affected by such reclassification.

## SDSN Association, Inc. and Affiliate

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### 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, 2016, from which the summarized information was derived.

### 3. Grants and Contributions Receivable

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

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$ 583,005	\$ 617,198
Amounts due in one to five years	<u>256,844</u>	<u>256,844</u>
	<u>\$ 839,849</u>	<u>\$ 874,042</u>

### 4. Property and Equipment

Property and equipment consists of the following at June 30,

	<u>2017</u>	<u>2016</u>
Computers and software	\$ 26,842	\$ 8,141
Furniture, fixtures and equipment	<u>7,823</u>	<u>-</u>
	34,665	8,141
Less: Accumulated depreciation	<u>(6,323)</u>	<u>(1,011)</u>
	<u>\$ 28,342</u>	<u>\$ 7,130</u>

Depreciation is calculated using the straight-line method over the expected useful lives of the assets, which range from three to five years. For the year ended June 30, 2017 and 2016, depreciation amounted to \$5,312 and \$1,011, respectively.

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, consists of the following:

	<u>2017</u>	<u>2016</u>
SDG Academy	\$ 442,876	\$ 966,222
Secretariat	<u>1,056,656</u>	<u>943,464</u>
	<u>\$ 1,499,532</u>	<u>\$ 1,909,686</u>

## SDSN Association, Inc. and Affiliate

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### 6. In-Kind Contributions

The fair value of donated legal and technology and web services included as contributions in the consolidated financial statements and the corresponding program expenses amount to \$49,003 and \$268,627 for the year ended June 30, 2017 and 2016, respectively. This amount represents services provided directly to the Association during the period.

### 7. Other Matters

A conditional grant in the amount of \$6,500,000 was awarded to the Association to be received over five years. The grant will be recognized when conditions are met. For the year ended June 30, 2017 and 2016, approximately \$468,000 and \$1,000,000, respectively, has been recognized as revenue and support.

### 8. Commitments

During the years ended June 30, 2017 and 2016, the Association occupied office space in New York and Paris under various agreements which ended on June 30, 2017. Under these agreements, gross occupancy expense was approximately \$197,000 and \$13,000 for 2017 and 2016, respectively. Effective July 1, 2017, the Association entered into lease agreements for office space in New York and Paris. The lease for office space in New York and Paris expire on June 30, 2020 and 2026, respectively. Estimated future minimum lease payments for the next five years and in the aggregate thereafter are as follows:

Years ended June 30,	Amount
2018	\$ 254,000
2019	254,000
2020	254,000
2021	88,000
2022	88,000
Thereafter	<u>352,000</u>
Total	<u>\$ 1,290,000</u>

### 9. Employee Benefits Plan

During the year ended June 30, 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 year ended June 30, 2017 was \$39,200.

### 10. Subsequent Events

The Association has evaluated subsequent events through January 12, 2017, the date the consolidated financial statements were available for issuance.

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