

**SDSN Association, Inc.
and Affiliate**

**Consolidated Financial Statements
Years Ended June 30, 2018 and 2017**



SDSN Association, Inc. and Affiliate

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June 30, 2018 and 2017

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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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited SDSN Association, Inc. and Affiliate's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

January 8, 2019

SDSN Association, Inc. and Affiliate

Consolidated Statements of Financial Position

June 30, 2018 (with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 5,404,723	\$ 2,728,897
Grants and contributions receivable	3,025,734	839,849
Other receivables	68,714	65,382
Prepaid expenses and other assets	98,550	181,295
Property and equipment, net	<u>55,092</u>	<u>28,342</u>
 Total assets	 <u>\$ 8,652,813</u>	 <u>\$ 3,843,765</u>
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,740,366	\$ 767,840
Amounts raised on behalf of others	<u>142,718</u>	<u>212,718</u>
Total liabilities	<u>1,883,084</u>	<u>980,558</u>
 Net assets		
Unrestricted	1,777,483	1,363,675
Temporarily restricted	<u>4,992,246</u>	<u>1,499,532</u>
Total net assets	<u>6,769,729</u>	<u>2,863,207</u>
 Total liabilities and net assets	 <u>\$ 8,652,813</u>	 <u>\$ 3,843,765</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, 2018 (with comparative totals for 2017)

			Total	
	Unrestricted	Temporarily Restricted	2018	2017
Revenue and support				
Government grants	\$ -	\$ 2,940,311	\$ 2,940,311	\$ 923,284
Foundation and other contributions	1,500,000	7,077,220	8,577,220	4,627,290
In-kind contributions	62,726	-	62,726	49,003
Fees for service	217,618	-	217,618	-
Miscellaneous revenue	77,833	-	77,833	12,077
Net assets released from restrictions	6,524,817	(6,524,817)	-	-
Total revenue and support	<u>8,382,994</u>	<u>3,492,714</u>	<u>11,875,708</u>	<u>5,611,654</u>
Expenses				
Program services	7,039,550	-	7,039,550	4,437,044
Management and general	808,211	-	808,211	439,758
Fundraising	121,425	-	121,425	94,901
Total expenses	<u>7,969,186</u>	<u>-</u>	<u>7,969,186</u>	<u>4,971,703</u>
Change in net assets	413,808	3,492,714	3,906,522	639,951
Net assets, beginning of year	<u>1,363,675</u>	<u>1,499,532</u>	<u>2,863,207</u>	<u>2,223,256</u>
Net assets, end of year	<u>\$ 1,777,483</u>	<u>\$ 4,992,246</u>	<u>\$ 6,769,729</u>	<u>\$ 2,863,207</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, 2018 (with comparative totals for 2017)

	Program Services	Management and General	Fundraising	Total	
				2018	2017
Salaries, payroll taxes, benefits	\$ 2,758,070	\$ 459,278	\$ 121,425	\$ 3,338,773	\$ 2,174,229
Professional fees	136,466	72,851	-	209,317	381,960
Legal fees	10,642	52,975	-	63,617	57,029
Media production	364,123	-	-	364,123	1,008,690
Grant and contract expense	736,979	-	-	736,979	207,877
Subawards	1,550,920	-	-	1,550,920	255,562
Conferences	428,811	-	-	428,811	137,223
Travel and lodging	530,101	14,204	-	544,305	458,991
Occupancy	267,516	56,494	-	324,010	196,876
Office supplies and other	178,466	87,529	-	265,995	28,350
Administrative services	6,905	17,540	-	24,445	16,827
Insurance	1,678	20,005	-	21,683	15,549
Dues and subscriptions	8,670	-	-	8,670	25,998
Depreciation	-	16,294	-	16,294	5,312
Bad debt expense	58,504	5,850	-	64,354	-
Foreign currency translation loss	1,699	5,191	-	6,890	1,230
Total expenses	<u>\$ 7,039,550</u>	<u>\$ 808,211</u>	<u>\$ 121,425</u>	<u>\$ 7,969,186</u>	<u>\$ 4,971,703</u>

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, 2018 (with comparative totals for 2017)*

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 3,906,522	\$ 639,951
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	64,354	
Depreciation	16,294	5,312
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	(2,250,239)	34,193
Accounts payable and accrued expenses	972,526	749,650
Other receivables	(3,332)	(65,382)
Prepaid expenses and other assets	82,745	(181,295)
Amounts raised on behalf of others	(70,000)	112,718
Net cash provided by operating activities	<u>2,718,870</u>	<u>1,295,147</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(43,044)</u>	<u>(26,524)</u>
Net cash used in investing activities	<u>(43,044)</u>	<u>(26,524)</u>
Net increase in cash	2,675,826	1,268,623
Cash, beginning of year	<u>2,728,897</u>	<u>1,460,274</u>
Cash, end of year	<u>\$ 5,404,723</u>	<u>\$ 2,728,897</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, 2018 and 2017

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.

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, 2018 and 2017.

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.

SDSN Association, Inc. and Affiliate

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. 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 which the estimate is revised.

Amounts Raised on Behalf of Others

Due to the efforts generating grants and contributions by the Association, contributions intended for the benefit of others, which were disbursed to them, 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.

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, 2017, from which the summarized information was derived.

SDSN Association, Inc. and Affiliate

3. Grants and Contributions Receivable

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

	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	\$ 2,768,890	\$ 583,005
Amounts due in one to five years	<u>256,844</u>	<u>256,844</u>
	<u>\$ 3,025,734</u>	<u>\$ 839,849</u>

4. Property and Equipment

Property and equipment consists of the following at June 30,

	<u>2018</u>	<u>2017</u>
Computers and software	\$ 65,632	\$ 26,842
Furniture, fixtures and equipment	<u>12,077</u>	<u>7,823</u>
	77,709	34,665
Less: Accumulated depreciation	<u>(22,617)</u>	<u>(6,323)</u>
	<u>\$ 55,092</u>	<u>\$ 28,342</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, 2018 and 2017, depreciation amounted to \$16,294 and \$5,312, respectively.

5. Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Secretariat	\$ 3,104,644	\$ 1,056,656
SDG Academy	673,096	442,876
Association	214,506	-
General operating support - time restriction	<u>1,000,000</u>	<u>-</u>
	<u>\$ 4,992,246</u>	<u>\$ 1,499,532</u>

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 \$62,726 and \$49,003 for the year ended June 30, 2018 and 2017, respectively. This amount represents services provided directly to the Association during the period.

SDSN Association, Inc. and Affiliate

7. Fee for Service Revenue

During the year ended June 30, 2018, the Association generated fees of \$140,361 from consulting and support for online courses (production, marketing and technical), and payroll administrative services and \$77,257 from conference registration fees and admission income. There was no fee for service revenue for the year ended June 30, 2017.

8. Other Matters

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, 2018 and 2017, approximately \$1,530,000 and \$468,000, respectively, has been recognized as revenue and support.

9. Commitments

During the years ended June 30, 2018 and 2017, 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 \$324,000 and \$197,000 for 2018 and 2017, 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
2019	\$ 254,000
2020	254,000
2021	88,000
2022	88,000
2023	88,000
Thereafter	<u>264,000</u>
Total	<u>\$ 1,036,000</u>

10. 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 year ended June 30, 2018 and 2017 was \$73,095 and \$39,200, respectively.

11. Subsequent Events

The Association has evaluated subsequent events through January 8, 2019, the date the consolidated financial statements were available for issuance.

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