

**SDSN Association, Inc.  
and Affiliate**

**Consolidated Financial Statements  
Years Ended June 30, 2019 and 2018**



# SDSN Association, Inc. and Affiliate

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mazars USA LLP*

December 6, 2019

## SDSN Association, Inc. and Affiliate

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### *Consolidated Statements of Financial Position*

*June 30, 2019 (with comparative totals for 2018)*

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash	\$ 6,653,466	\$ 5,404,723
Grants and contributions receivable	1,778,224	3,025,734
Other receivables	72,065	68,714
Prepaid expenses and other assets	172,762	98,550
Property and equipment, net	<u>44,110</u>	<u>55,092</u>
 Total assets	 <u>\$ 8,720,627</u>	 <u>\$ 8,652,813</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 1,993,794	\$ 1,740,366
Deferred grant and earned revenue	2,005,353	-
Amounts raised on behalf of others	<u>-</u>	<u>142,718</u>
Total liabilities	<u>3,999,147</u>	<u>1,883,084</u>
 Net assets		
Without donor restrictions	1,799,682	1,777,483
With donor restrictions	<u>2,921,798</u>	<u>4,992,246</u>
Total net assets	<u>4,721,480</u>	<u>6,769,729</u>
 Total liabilities and net assets	 <u>\$ 8,720,627</u>	 <u>\$ 8,652,813</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, 2019 (with comparative totals for 2018)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenue and support				
Government grants	\$ -	\$ 3,301,324	\$ 3,301,324	\$ 2,940,311
Foundation and other contributions	1,113,973	3,365,347	4,479,320	8,577,220
In-kind contributions	27,016	-	27,016	62,726
Fees for service	529,585	-	529,585	217,618
Miscellaneous revenue	37,021	-	37,021	77,833
Net assets released from restrictions	8,637,119	(8,637,119)	-	-
Total revenue and support	<u>10,344,714</u>	<u>(1,970,448)</u>	<u>8,374,266</u>	<u>11,875,708</u>
Expenses				
Program services	9,212,543	-	9,212,543	7,039,550
Management and general	922,887	-	922,887	808,211
Fundraising	187,085	-	187,085	121,425
Total expenses	<u>10,322,515</u>	<u>-</u>	<u>10,322,515</u>	<u>7,969,186</u>
Loss on uncollectible pledge	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Change in net assets	22,199	(2,070,448)	(2,048,249)	3,906,522
Net assets, beginning of year	<u>1,777,483</u>	<u>4,992,246</u>	<u>6,769,729</u>	<u>2,863,207</u>
Net assets, end of year	<u>\$ 1,799,682</u>	<u>\$ 2,921,798</u>	<u>\$ 4,721,480</u>	<u>\$ 6,769,729</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, 2019 (with comparative totals for 2018)*

	Program Services	Management and General	Fundraising	Total	
				2019	2018
Salaries, payroll taxes, benefits	\$ 3,250,510	\$ 531,063	\$ 187,085	\$ 3,968,658	\$ 3,338,773
Professional fees	43,596	76,890	-	120,486	209,317
Legal fees	-	31,397	-	31,397	63,617
Media production	936,459	654	-	937,113	364,123
Grant and contract expense	1,083,681	-	-	1,083,681	736,979
Subawards	2,576,412	9,906	-	2,586,318	1,550,920
Conferences	363,040	2,578	-	365,618	428,811
Travel and lodging	504,995	25,498	-	530,493	544,305
Occupancy	297,775	73,193	-	370,968	324,010
Office supplies and other	91,679	73,322	-	165,001	265,995
Administrative services	1,774	51,370	-	53,144	24,445
Insurance	1,664	21,268	-	22,932	21,683
Dues and subscriptions	9,624	260	-	9,884	8,670
Depreciation	-	25,488	-	25,488	16,294
SDG USA	50,938	-	-	50,938	-
Bad debt expense	-	-	-	-	64,354
Foreign currency translation loss	396	-	-	396	6,890
Total expenses	<u>\$ 9,212,543</u>	<u>\$ 922,887</u>	<u>\$ 187,085</u>	<u>\$ 10,322,515</u>	<u>\$ 7,969,186</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, 2019 (with comparative totals for 2018)*

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (2,048,249)	\$ 3,906,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	6,504	-
Bad debt expense	-	64,354
Depreciation	25,488	16,294
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	1,247,510	(2,250,239)
Accounts payable and accrued expenses	253,428	972,526
Other receivables	(3,351)	(3,332)
Prepaid expenses and other assets	(74,212)	82,745
Deferred grant and earned revenue	2,005,353	-
Amounts raised on behalf of others	(142,718)	(70,000)
Net cash provided by operating activities	<u>1,269,753</u>	<u>2,718,870</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(21,010)</u>	<u>(43,044)</u>
Net cash used in investing activities	<u>(21,010)</u>	<u>(43,044)</u>
Net increase in cash	1,248,743	2,675,826
Cash, beginning of year	<u>5,404,723</u>	<u>2,728,897</u>
Cash, end of year	<u>\$ 6,653,466</u>	<u>\$ 5,404,723</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*

*Years Ended June 30, 2019 and 2018*

### **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. 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 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 net assets of the Organization 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, 2019 and 2018, there were no net assets with Board designation.

## **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 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. 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.

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

### **Fee for Service Revenue**

Fees for services are recognized when the services are performed.

### **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 as a liability on the consolidated statements of financial position.

### **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 Company 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.

### **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.

## SDSN Association, Inc. and Affiliate

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### 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, 2018, from which the summarized information was derived.

### Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

For the year ended June 30, 2019, the Association adopted ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." This standard clarifies the guidance on distinguishing between a restricted contribution and a conditional contribution and/or exchange transaction. Accordingly, based on the terms of the grant agreements, certain grants are considered conditional contributions and should not be recognized as revenue until the conditions are met. The most common condition being that funds must be expended (unexpended funds would have to be returned to the grantor). The Association adopted the standard on a modified prospective basis in which all contracts not completed as of July 1, 2018, and entered into after adoption would be accounted for under the new standard.

### 3. Grants and Contributions Receivable

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

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 1,778,224	\$ 2,768,890
Amounts due in one to five years	<u>-</u>	<u>256,844</u>
	<u>\$ 1,778,224</u>	<u>\$ 3,025,734</u>

## SDSN Association, Inc. and Affiliate

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### 4. Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Computers and software	\$ 74,559	\$ 65,632
Furniture, fixtures and equipment	<u>15,095</u>	<u>12,077</u>
	89,654	77,709
Less: accumulated depreciation	<u>(45,544)</u>	<u>(22,617)</u>
	<u>\$ 44,110</u>	<u>\$ 55,092</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, 2019 and 2018, depreciation amounted to \$25,488 and \$16,294, respectively.

### 5. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Secretariat	\$ 1,959,925	\$ 3,104,644
SDG Academy	214,496	673,096
Association	247,377	214,506.00
General operating support - time restriction	<u>500,000</u>	<u>1,000,000</u>
	<u>\$ 2,921,798</u>	<u>\$ 4,992,246</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 \$27,016 and \$62,726 for the year ended June 30, 2019 and 2018, respectively. This amount represents services provided directly to the Association during the period.

### 7. Fee for Service Revenue

During the years ended June 30, 2019 and 2018, the Association generated fees of \$387,476 and \$140,361, respectively, from consulting and support for online courses (production, marketing and technical), and payroll administrative services, \$81,437 and \$-0-, respectively, from academy certificate income and \$60,672 and \$77,257, respectively, from conference registration fees and admission income.

### 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, 2019 and 2018, approximately \$765,000 and \$1,530,000, respectively, has been recognized as revenue and support. To date, the Association has recognized approximately \$3,737,000 of the grant.

## SDSN Association, Inc. and Affiliate

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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:

	<u>2019</u>
Cash and cash equivalents	\$ 6,653,466
Grants and contributions receivable	1,778,224
Other receivables	<u>72,065</u>
Total financial assets available within one year	8,503,755
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	(2,921,798)
Cash received from conditional contributions	<u>(1,994,043)</u>
Total financial assets available to management general expenditures within one year	<u>\$ 3,587,914</u>

#### *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. Commitments

The Association leases office space in New York and Paris under non-cancellable operating leases expiring in 2020 and 2026, respectively. During the years ended June 30, 2019 and 2018, the Association incurred occupancy expense of approximately \$371,000 and \$324,000, respectively. Approximate future minimum obligations under the leases are as follows:

Years ended June 30,	Amount
2020	\$ 260,000
2021	88,000
2022	88,000
2023	88,000
2024	88,000
Thereafter	<u>176,000</u>
Total	<u>\$ 788,000</u>

### 11. 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, 2019 and 2018, was \$91,555 and \$73,095, respectively.

### 12. Subsequent Events

The Association has evaluated subsequent events through December 6, 2019, the date the consolidated financial statements were available for issuance.

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