

# SDSN Association, Inc. and Affiliate

Consolidated Financial Statements  
Years Ended June 30, 2021 and 2020

**mazars**

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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.

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mazars USA LLP*

November 23, 2021

## SDSN Association, Inc. and Affiliate

### Consolidated Statements of Financial Position June 30, 2021 (with summarized comparative totals for 2020)

	2021	2020
<b>Assets</b>		
Cash	\$ 6,014,072	\$ 6,713,739
Grants and contributions receivable	3,782,466	1,776,680
Other receivables	44,431	47,160
Prepaid expenses and other assets	142,828	179,060
Property and equipment, net	33,744	36,467
	<hr/>	<hr/>
Total assets	\$ 10,017,541	\$ 8,753,106
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 1,407,154	\$ 2,208,584
Contract liabilities	2,321,798	1,809,751
Refundable advances	-	281,218
Total liabilities	3,728,952	4,299,553
	<hr/>	<hr/>
Net assets		
Without donor restrictions	2,440,663	2,392,110
With donor restrictions	3,847,926	2,061,443
Total net assets	6,288,589	4,453,553
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Total liabilities and net assets	\$ 10,017,541	\$ 8,753,106
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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, 2021 (with summarized comparative totals for 2020)

	2021		Total	2020
	Without Donor Restrictions	With Donor Restrictions		
Revenue and support				
Government grants	\$ -	\$ 2,737,159	\$ 2,737,159	\$ 2,321,691
Foundation and other contributions	2,344,816	7,284,534	9,629,350	6,630,467
In-kind contributions	36,196	-	36,196	135,698
Fees for service	871,347	-	871,347	506,512
Miscellaneous revenue	8,511	-	8,511	17,558
Net assets released from restrictions	8,235,210	(8,235,210)	-	-
Total revenue and support	<u>11,496,080</u>	<u>1,786,483</u>	<u>13,282,563</u>	<u>9,611,926</u>
Expenses				
Program services	9,949,737	-	9,949,737	8,562,079
Management and general	1,316,987	-	1,316,987	1,116,346
Fundraising	180,803	-	180,803	201,428
Total expenses	<u>11,447,527</u>	<u>-</u>	<u>11,447,527</u>	<u>9,879,853</u>
Change in net assets	48,553	1,786,483	1,835,036	(267,927)
Net assets, beginning of year	<u>2,392,110</u>	<u>2,061,443</u>	<u>4,453,553</u>	<u>4,721,480</u>
Net assets, end of year	<u>\$ 2,440,663</u>	<u>\$ 3,847,926</u>	<u>\$ 6,288,589</u>	<u>\$ 4,453,553</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, 2021 (with summarized comparative totals for 2020)

	2021				2020
	Program Services	Management and General	Fundraising	Total	
Salaries, fees, payroll taxes, benefits	\$ 4,652,390	\$ 834,368	\$ 179,654	\$ 5,666,412	\$ 4,799,878
Professional fees	50,234	122,406	-	172,640	226,593
Legal fees	5,370	26,994	-	32,364	88,304
Media production	215,915	93	-	216,008	188,193
Grant and contract expense	1,758,991	-	-	1,758,991	918,479
Subawards	2,730,694	-	-	2,730,694	2,224,443
Conferences and meetings	13,862	55	-	13,917	260,723
Travel and lodging	12,022	27	-	12,049	390,261
Occupancy	313,119	101,534	-	414,653	415,678
Office supplies, software, cloud services, other	190,864	78,375	1,149	270,388	219,836
Administrative services and training fees	2,652	101,920	-	104,572	88,419
Insurance	-	26,956	-	26,956	23,586
Dues and subscriptions	1,340	625	-	1,965	1,828
Depreciation	-	22,803	-	22,803	26,104
Bad debt expense	2,250	-	-	2,250	-
Foreign currency translation loss	34	831	-	865	7,528
<b>Total expenses</b>	<b>\$ 9,949,737</b>	<b>\$ 1,316,987</b>	<b>\$ 180,803</b>	<b>\$ 11,447,527</b>	<b>\$ 9,879,853</b>

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, 2021 (with summarized comparative totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,835,036	\$ (267,927)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	2,250	-
Depreciation	22,803	26,104
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	(2,008,036)	1,544
Accounts payable and accrued expenses	(801,430)	214,790
Other receivables	2,729	24,905
Prepaid expenses and other assets	36,232	(6,298)
Contract liabilities	512,047	(195,602)
Refundable advances	(281,218)	281,218
Net cash (used in) provided by operating activities	<u>(679,587)</u>	<u>78,734</u>
Cash flows from investing activities		
Purchase of property and equipment	(20,470)	(18,676)
Sale of property and equipment	390	215
Net cash used in investing activities	<u>(20,080)</u>	<u>(18,461)</u>
Net (decrease) increase in cash	(699,667)	60,273
Cash, beginning of year	<u>6,713,739</u>	<u>6,653,466</u>
Cash, end of year	<u>\$ 6,014,072</u>	<u>\$ 6,713,739</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, 2021 and 2020

### 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, 2021 and 2020, there were no net assets with Board designation.

## **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, 2020, 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:

	2021	2020
Amounts due in less than one year	\$ 3,782,466	\$ 1,776,680
	<u>\$ 3,782,466</u>	<u>\$ 1,776,680</u>

### 3. Property and Equipment

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

	2021	2020
Computers and software	\$ 108,647	\$ 91,184
Furniture, fixtures and equipment	15,861	15,861
	<u>124,508</u>	<u>107,045</u>
Less: accumulated depreciation	<u>(90,764)</u>	<u>(70,578)</u>
	<u>\$ 33,744</u>	<u>\$ 36,467</u>

For the years ended June 30, 2021 and 2020, depreciation amounted to \$22,803 and \$26,104, 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 expects that a portion or all of the loan may be forgiven in accordance with the provision of the paycheck protection program.

The Association has accounted for the loan proceeds in accordance with ASC 958-605 and considered the loan a conditional contribution which will be forgiven once certain requirements are met. Based on qualifying expenses incurred as of June 30, 2021 and 2020, the amount eligible for forgiveness amounted to \$281,218 and 250,804, respectively and is included in government grants.

The loan was forgiven on July 14, 2021.

# SDSN Association, Inc. and Affiliate

**5. Net Assets with Donor Restrictions**

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

	2021	2020
Secretariat	\$ 946,404	\$ 668,475
SDG Academy	453,927	759,318
Association programs	2,447,595	633,650
	<u>\$ 3,847,926</u>	<u>\$ 2,061,443</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 \$36,196 and \$135,698 for the years ended June 30, 2021 and 2020, respectively. This amount represents services provided directly to the Association during the period.

**7. Fee for Service Revenue**

During the years ended June 30, 2021 and 2020, the Association generated fees of \$645,462 and \$227,525, respectively, from consulting and support for online courses (production, marketing and technical), and payroll administrative services, \$181,024 and \$194,255, respectively, from academy certificate income and \$0 and \$84,732, respectively, from conference registration fees and admission income. The Association also generated \$44,861 and \$0 of membership and subscription income for the year ended June 30, 2021 and 2020.

**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, 2021 and 2020, approximately \$742,000 and \$1,314,000, respectively, has been recognized as revenue and support. To date, the Association has recognized approximately \$5,793,000 of the grant.

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, 2021 and 2020, approximately \$500,000 and \$0, respectively, has been recognized as revenue and support. To date, the Association has recognized approximately \$500,000 of the grant.

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.

## SDSN Association, Inc. and Affiliate

### 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:

	2021
Cash and cash equivalents	\$ 6,014,072
Grants and contributions receivable	3,782,466
Other receivables	44,431
Total financial assets available within one year	9,840,969
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	(3,847,926)
Cash received from conditional contributions	(2,321,798)
Total financial assets available to management for general expenditures within one year	<u>\$ 3,671,245</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. Concentrations

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

As of June 30, 2021, approximately 53% of total grants and contributions receivable is from a single Organization. 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 2022 and 2026, respectively. During the years ended June 30, 2021 and 2020, the Association incurred occupancy expense of approximately \$415,000 and \$416,000, respectively. Approximate future minimum obligations under the leases are as follows:

Years Ended June 30,	Amount
2022	\$ 265,000
2023	92,000
2024	92,000
2025	92,000
2026	92,000
Total	<u>\$ 633,000</u>

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

### **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, 2021 and 2020, was \$114,473 and \$104,905, 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 2020-2021. Senior leadership and the operations team monitored the local situation closely to ensure compliance with evolving local regulations, which included lockdowns in France in November 2020 and April 2021. Staff in New York and Paris continued to mostly work remotely, though the local offices were reopened with limited capacity and subject to 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. While travel and in-person events were minimal, SDSN staff have remained engaged in the broader development community through virtual fora. 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 23, 2021, the date the consolidated financial statements were available for issuance.

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