

**SDSN Association, Inc.
and Affiliate**

**Consolidated Financial Statements
Years Ended June 30, 2020 and 2019**



SDSN Association, Inc. and Affiliate

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June 30, 2020 and 2019

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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, 2020, 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, 2020, 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

We have previously audited SDSN Association, Inc. and Affiliate's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

November 24, 2020

SDSN Association, Inc. and Affiliate

Consolidated Statements of Financial Position *June 30, 2020 (with summarized comparative totals for 2019)*

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 6,713,739	\$ 6,653,466
Grants and contributions receivable	1,776,680	1,778,224
Other receivables	47,160	72,065
Prepaid expenses and other assets	179,060	172,762
Property and equipment, net	<u>36,467</u>	<u>44,110</u>
Total assets	<u>\$ 8,753,106</u>	<u>\$ 8,720,627</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 2,208,584	\$ 1,993,794
Contract liabilities	1,809,751	2,005,353
Refundable advances	<u>281,218</u>	<u>-</u>
Total liabilities	<u>4,299,553</u>	<u>3,999,147</u>
Net assets		
Without donor restrictions	2,392,110	1,799,682
With donor restrictions	<u>2,061,443</u>	<u>2,921,798</u>
Total net assets	<u>4,453,553</u>	<u>4,721,480</u>
Total liabilities and net assets	<u>\$ 8,753,106</u>	<u>\$ 8,720,627</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, 2020 (with summarized comparative totals for 2019)

	2020		Total	2019
	Without Donor Restrictions	With Donor Restrictions		
Revenue and support				
Government grants	\$ -	\$ 2,321,691	\$ 2,321,691	\$ 3,301,324
Foundation and other contributions	1,072,359	5,558,108	6,630,467	4,479,320
In-kind contributions	135,698	-	135,698	27,016
Fees for service	506,512	-	506,512	529,585
Miscellaneous revenue	17,558	-	17,558	37,021
Net assets released from restrictions	8,740,154	(8,740,154)	-	-
Total revenue and support	<u>10,472,281</u>	<u>(860,355)</u>	<u>9,611,926</u>	<u>8,374,266</u>
Expenses				
Program services	8,562,079	-	8,562,079	9,212,543
Management and general	1,116,346	-	1,116,346	922,887
Fundraising	201,428	-	201,428	187,085
Total expenses	<u>9,879,853</u>	<u>-</u>	<u>9,879,853</u>	<u>10,322,515</u>
Loss on uncollectible pledge	-	-	-	(100,000)
Change in net assets	592,428	(860,355)	(267,927)	(2,048,249)
Net assets, beginning of year	<u>1,799,682</u>	<u>2,921,798</u>	<u>4,721,480</u>	<u>6,769,729</u>
Net assets, end of year	<u>\$ 2,392,110</u>	<u>\$ 2,061,443</u>	<u>\$ 4,453,553</u>	<u>\$ 4,721,480</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, 2020 (with summarized comparative totals for 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	
Salaries, fees, payroll taxes, benefits	\$ 3,992,123	\$ 606,381	\$ 201,374	\$ 4,799,878	\$ 3,968,658
Professional fees	142,126	84,467	-	226,593	120,486
Legal fees	4,015	84,289	-	88,304	31,397
Media production	188,193	-	-	188,193	937,113
Grant and contract expense	918,479	-	-	918,479	1,083,681
Subawards	2,221,846	2,597	-	2,224,443	2,586,318
Conferences	258,248	2,475	-	260,723	365,618
Travel and lodging	384,098	6,163	-	390,261	530,493
Occupancy	289,556	126,122	-	415,678	370,968
Office supplies, software, cloud services, othe:	148,614	71,168	54	219,836	165,001
Administrative services	7,986	80,433	-	88,419	53,144
Insurance	-	23,586	-	23,586	22,932
Dues and subscriptions	1,479	349	-	1,828	9,884
Depreciation	-	26,104	-	26,104	25,488
SDG USA	-	-	-	-	50,938
Foreign currency translation loss	5,316	2,212	-	7,528	396
Total expenses	<u>\$ 8,562,079</u>	<u>\$ 1,116,346</u>	<u>\$ 201,428</u>	<u>\$ 9,879,853</u>	<u>\$ 10,322,515</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, 2020 (with summarized comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (267,927)	\$ (2,048,249)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	-	6,504
Depreciation	26,104	25,488
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	1,544	1,247,510
Accounts payable and accrued expenses	214,790	253,428
Other receivables	24,905	(3,351)
Prepaid expenses and other assets	(6,298)	(74,212)
Contract liabilities	(195,602)	2,005,353
Refundable advances	281,218	-
Amounts raised on behalf of others	-	(142,718)
Net cash provided by operating activities	<u>78,734</u>	<u>1,269,753</u>
Cash flows from investing activities		
Purchase of property and equipment	(18,676)	(21,010)
Sale of property and equipment	215	-
Net cash used in investing activities	<u>(18,461)</u>	<u>(21,010)</u>
Net increase in cash	60,273	1,248,743
Cash, beginning of year	<u>6,653,466</u>	<u>5,404,723</u>
Cash, end of year	<u>\$ 6,713,739</u>	<u>\$ 6,653,466</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, 2020 and 2019

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, 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 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 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, 2020 and 2019, there were no net assets with Board designation.

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

SDSN has adopted Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), as amended as management believes the standard improves the usefulness and understandability of SDSN's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way SDSN recognizes revenue, and therefore no changes to previously issued financial statements were required on retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Fees for services is 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 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.

SDSN Association, Inc. and Affiliate

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.

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, 2019, 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>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 1,776,680	\$ 1,778,224
Amounts due in one to five years	-	-
	<u>\$ 1,776,680</u>	<u>\$ 1,778,224</u>

4. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Computers and software	\$ 91,184	\$ 74,559
Furniture, fixtures and equipment	<u>15,861</u>	<u>15,095</u>
	107,045	89,654
Less: accumulated depreciation	<u>(70,578)</u>	<u>(45,544)</u>
	<u>\$ 36,467</u>	<u>\$ 44,110</u>

For the years ended June 30, 2020 and 2019, depreciation amounted to \$26,104 and \$25,488, respectively.

SDSN Association, Inc. and Affiliate

5. 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, 2020, the amount eligible for forgiveness amounted to \$250,804, and is included in government grants. The remaining balance of loan proceeds that qualifying expenses have not been incurred as of June 30, 2020 totaled \$281,218 and is included in refundable advances on the statement of financial position.

6. Net Assets with Donor Restrictions

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

	2020	2019
Secretariat	\$ 668,475	\$ 1,959,925
SDG Academy	759,318	214,496
Association	633,650	247,377
General operating support - time restriction	-	500,000
	<u>\$ 2,061,443</u>	<u>\$ 2,921,798</u>

7. 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 \$135,698 and \$27,016 for the year ended June 30, 2020 and 2019, respectively. This amount represents services provided directly to the Association during the period.

8. Fee for Service Revenue

During the years ended June 30, 2020 and 2019, the Association generated fees of \$227,525 and \$387,476, respectively, from consulting and support for online courses (production, marketing and technical), and payroll administrative services, \$194,255 and \$81,437, respectively, from academy certificate income and \$84,732 and \$60,672, respectively, from conference registration fees and admission income.

9. 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, 2020 and 2019, approximately \$1,314,000 and \$765,000, respectively, has been recognized as revenue and support. To date, the Association has recognized approximately \$5,051,000 of the grant.

SDSN Association, Inc. and Affiliate

10. 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>2020</u>
Cash and cash equivalents	\$ 6,713,739
Grants and contributions receivable	1,776,680
Other receivables	<u>47,160</u>
Total financial assets available within one year	8,537,579
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	(2,061,443)
Cash received from conditional contributions	<u>(1,809,751)</u>
Total financial assets available to management general expenditures within one year	<u>\$ 4,666,385</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.

11. Concentrations

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

As of June 30, 2020, approximately 58% of total grants and contributions receivable is from a single Organization. For the year ended June 30, 2020, approximately 41% of total foundation and other contributions recognized is from three Organizations.

12. Commitments

The Association leases office space in New York and Paris under non-cancellable operating leases expiring in 2021 and 2026, respectively. During the years ended June 30, 2020 and 2019, the Association incurred occupancy expense of approximately \$416,000 and \$371,000, respectively. Approximate future minimum obligations under the leases are as follows:

Years ended <u>June 30,</u>	<u>Amount</u>
2021	\$ 254,000
2022	88,000
2023	88,000
2024	88,000
2025	88,000
2026	<u>88,000</u>
Total	<u>\$ 694,000</u>

13. 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, 2020 and 2019, was \$104,905 and \$91,555, respectively.

14. Risks and Uncertainties

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) spread around the world, including the U.S. and France. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, the French government and multiple jurisdictions in the U.S. declared a state of emergency. In response to the lockdowns, SDSN’s New York and Paris offices moved to entirely remote working for all staff members. Travel ceased, and all meetings and events transitioned to virtual fora. Frequent formal and informal communications protocols were put into place so that supervisors and local management could stay informed of staff health and wellbeing and ensure that staff members could address any issues they were experiencing. The Association also convened two special meetings of the Board to discuss the health and safety of staff and evaluate the finances and strategy of the organization in light of the pandemic crisis. In view of the financial uncertainty, the Board decided not to increase salaries after the end of the 2020 financial year.

Despite initial fears of a potential negative impact of the pandemic on the financial health of the Association, all signed commitments from donors have been maintained in full, and the organization has been able to mobilize new funds from current and new donors for programmatic and core activities. Implementation of some programmatic activities have seen some delays and revisions, but most deliverables have been met. 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.

15. Subsequent Events

The Association has evaluated subsequent events through November 24, 2020, the date the consolidated financial statements were available for issuance.

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