

SDSN Association, Inc. and Affiliate

Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

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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.

Opinion

We have audited the accompanying consolidated financial statements of SDSN Association, Inc., which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SDSN Association, Inc. as of June 30, 2023 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDSN Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDSN Association, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SDSN Association, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDSN Association, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited SDSN Association, Inc. and Affiliate's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

November 21, 2023

SDSN Association, Inc. and Affiliate

Consolidated Statements of Financial Position June 30, 2023 (with summarized comparative totals for 2022)

	2023	2022
Assets		
Cash	\$ 8,211,525	\$ 7,532,924
Grants and contributions receivable	2,381,909	2,142,335
Other receivables	52,367	19,235
Prepaid expenses and other assets	365,050	313,248
Property and equipment, net	42,548	51,998
Right of use asset	390,070	-
	<hr/>	<hr/>
Total assets	\$ 11,443,469	\$ 10,059,740
	<hr/>	<hr/>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 974,463	\$ 1,475,134
Contract liabilities	2,137,826	1,603,570
Lease liability	394,410	-
Total liabilities	3,506,699	3,078,704
	<hr/>	<hr/>
Net assets		
Without donor restrictions	5,211,689	3,351,618
With donor restrictions	2,725,082	3,629,418
Total net assets	7,936,771	6,981,036
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Total liabilities and net assets	\$ 11,443,470	\$ 10,059,740
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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, 2023 (with summarized comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support				
Government grants	\$ -	\$ 1,702,337	\$ 1,702,337	\$ 2,370,664
Foundation and other contributions	2,765,623	5,904,450	8,670,073	7,826,917
In-kind contributions	120,270	-	120,270	147,959
Fees for service	1,653,057	-	1,653,057	1,185,858
Miscellaneous revenue	57,874	-	57,874	27,224
Net assets released from restrictions	8,511,123	(8,511,123)	-	-
Total revenue and support	<u>13,107,947</u>	<u>(904,336)</u>	<u>12,203,611</u>	<u>11,558,622</u>
Expenses				
Program services	8,852,808	-	8,852,808	8,633,073
Management and general	2,098,615	-	2,098,615	2,018,760
Fundraising	296,454	-	296,454	214,342
Total expenses	<u>11,247,877</u>	<u>-</u>	<u>11,247,877</u>	<u>10,866,175</u>
Change in net assets	1,860,071	(904,336)	955,735	692,447
Net assets, beginning of year	<u>3,351,618</u>	<u>3,629,418</u>	<u>6,981,036</u>	<u>6,288,589</u>
Net assets, end of year	<u>\$ 5,211,689</u>	<u>\$ 2,725,082</u>	<u>\$ 7,936,771</u>	<u>\$ 6,981,036</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, 2023 (with summarized comparative totals for 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	
Salaries, fees, payroll taxes, benefits	\$ 5,031,942	\$ 1,471,136	\$ 294,873	\$ 6,797,951	\$ 6,419,847
Professional fees	51,131	82,764	-	133,895	127,003
Legal fees	-	45,939	-	45,939	53,234
Media production	65,694	6,501	-	72,195	106,900
Grant and contract expense	1,868,646	-	-	1,868,646	1,672,137
Subawards	845,975	-	-	845,975	1,508,773
Conferences and meetings	99,252	12,271	-	111,523	23,489
Travel and lodging	543,299	17,417	-	560,716	83,772
Occupancy	234,302	103,689	-	337,991	342,425
Office supplies, software, cloud services, other	79,251	152,920	1,531	233,702	319,645
Administrative services and training fees	2,040	122,045	-	124,085	125,267
Insurance	1,606	33,304	-	34,910	31,954
Dues and subscriptions	6,447	1,558	50	8,055	6,409
Depreciation	-	26,342	-	26,342	25,032
Bad debt expense	100	-	-	100	-
Foreign currency translation loss	23,123	22,729	-	45,852	20,288
	<u>\$ 8,852,808</u>	<u>\$ 2,098,615</u>	<u>\$ 296,454</u>	<u>\$ 11,247,877</u>	<u>\$ 10,866,175</u>
Total expenses					

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, 2023 (with summarized comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 955,735	\$ 692,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	-	535
Bad debt expense	100	-
Depreciation	26,342	25,032
Amortization of right of use asset	(390,070)	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Grants and contributions receivable	(239,674)	1,640,131
Accounts payable and accrued expenses	(500,671)	67,980
Other receivables	(33,132)	25,196
Prepaid expenses and other assets	(51,802)	(170,420)
Contract liabilities	534,256	(718,228)
Lease liability	394,410	-
Net cash provided by operating activities	<u>695,494</u>	<u>1,562,673</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(16,892)</u>	<u>(43,821)</u>
Net cash used in investing activities	<u>(16,892)</u>	<u>(43,821)</u>
Net increase in cash	678,602	1,518,852
Cash, beginning of year	<u>7,532,924</u>	<u>6,014,072</u>
Cash, end of year	<u>\$ 8,211,526</u>	<u>\$ 7,532,924</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, 2023 and 2022

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, 2023 and 2022, there were no net assets with Board designations.

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.

Leases

The Association is accounting for its leases in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, Leases ("ASC 842") Per ASC 842 the lease contract gives rise to the recognition of a lease liability in the lessee's balance sheet, representing the present value of lease payments including fixed rental payments The lease liability is recognized against a right-of-use asset corresponding to the leased item. The Association defines the lease term as the noncancellable term of the lease plus any renewals covered by renewal options that are reasonably certain of exercise based on management's assessment of the economic factors relevant to the lessee.

The Association adopted ASC 842 on July 1, 2022 using the modified retrospective method. The Association recognizes a right-of-use asset and lease liability at the adoption date, which is measured by discounting lease payments using the incremental borrowing rate. As the implicit rate in the Organization's leases is unknown, the association uses the practical expedient available to use the risk-free rate at the adoption date in determining the present value of future lease payments.

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.

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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, 2022, 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:

	2023	2022
Amounts due in less than one year	\$ 2,381,909	\$ 2,142,335
	<u>\$ 2,381,909</u>	<u>\$ 2,142,335</u>

3. Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Computers and software	\$ 138,701	\$ 126,590
Furniture, fixtures and equipment	21,367	19,957
	<u>160,068</u>	<u>146,547</u>
Less: accumulated depreciation	(117,520)	(94,549)
	<u>\$ 42,548</u>	<u>\$ 51,998</u>

For the years ended June 30, 2023 and 2022, depreciation amounted to \$26,342 and \$25,032, respectively.

SDSN Association, Inc. and Affiliate

4. Net Assets with Donor Restrictions

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

	2023	2022
Academy/Education	\$ 413,887	\$ 807,366
Networks	161,061	62,022
Policy & Research	2,123,769	2,727,431
Management	26,365	32,599
	<u>\$ 2,725,082</u>	<u>\$ 3,629,418</u>

5. 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 \$120,270 and \$147,959 for the years ended June 30, 2023 and 2022, respectively. This amount represents services provided directly to the Association during the period.

Non-financial contributions category	Type of contributions for beneficiaries	Valuation	2023	2022
In-kind media	Digital campaign	Third-party rates for numbers of clicks and impressions	\$ 1,388	\$ 28,372
		Estimates using historical		
In-kind consulting services	Pro bono consulting services from the president of SDSN	compensation of individuals in similar roles	77,946	74,948
In-kind legal services	Pro bono legal services	Estimated third party billing rates	26,286	38,710
In-kind accounting services	Professional accounting services	Estimated third party billing rates	14,650	5,929
			<u>\$ 120,270</u>	<u>\$ 147,959</u>

6. Fee for Service Revenue

During the years ended June 30, 2023 and 2022, the Association generated fees of \$1,526,621 and \$1,056,542, respectively, from consulting and support for online courses (production, marketing and technical), and payroll administrative services, \$79,026 and \$89,814, respectively, from academy certificate income. The Association also generated \$41,311 and \$39,502 of membership and subscription income for the year ended June 30, 2023 and 2022.

7. 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, 2022 and 2021, approximately \$742,000 each year, has been recognized as revenue and support. As of June 30, 2022, the full amount of the grant has been recognized and there are no remaining conditional amounts.

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, 2023 and 2022, approximately \$928,558 and \$841,500, respectively, has been recognized as revenue and support. At June 30, 2023, \$1,912,106 remains conditional to be recognized when the conditions are met.

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. No revenue was recorded in the year ended June 30, 2022 and June 30, 2023.

SDSN Association, Inc. and Affiliate

8. 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>2023</u>
Cash	\$ 8,211,525
Grants and contributions receivable	2,381,909
Other receivables	<u>52,367</u>
Total financial assets available within one year	10,645,801
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose or time restrictions	(2,725,082)
Cash received from conditional contributions	<u>(2,137,826)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,782,893</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.

9. Concentrations

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

For the year ended June 30, 2023, approximately 33% of total contributions recognized is from 2 Organizations. As of June 30, 2023, approximately 87% of total grants and contributions receivable is from multiple Organizations for 5 different grants.

For the year ended June 30, 2022, approximately 10% of total contributions recognized is from a single Organization. As of June 30, 2022, approximately 74% of total grants and contributions receivable is from a single Organization for two different grants.

10. Leases Commitments

The Association leases office space in New York and Paris under various non-cancellable operating leases expiring in 2024 and 2026. As disclosed in Note 2, SDSN adopted ASC 842 on July 1, 2022 using the modified retrospective transition method.

Accordingly, operating lease right of use assets and lease liabilities were recognized at July 1, 2022 based on the present value of minimum lease payments over the remaining lease term. The minimum lease payments include base rent payments. As the implicit rate in the Organization's leases is unknown, SDSN uses the practical expedient available to use the risk-free rate at the adoption date in determining the present value of future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term.

Occupancy expenses amounted to approximately \$338,000 and \$342,000 for the years ended June 30, 2023 and 2022, respectively.

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Supplemental information as June 30, 2023:

Weighted average remaining lease term 2.14 years

Weighted average discount rate 1.44%

Approximate future minimum obligations under the leases are as follows:

Years Ended June 30,	Amount
2024	\$ 247,370
2025	78,164
2026	82,192
Total lease payments	407,726
Less: present value discount	(30,432)
Operating of Lease liabilities	<u>\$ 377,294</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 expenses for the years ended June 30, 2023 and 2022, was \$145,222 and \$136,599, respectively.

12. Subsequent Events

The Association has evaluated subsequent events through November 21, 2023, the date the consolidated financial statements were available for issuance.

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