

**STOCKHOLM ENVIRONMENT  
INSTITUTE U.S., INC.**

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 and 2013**

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11
Schedules of Functional Expenses	12-13



## INDEPENDENT AUDITORS' REPORT

Sondi B. Stanton, CPA  
John M. Stanton, CPA, MST

To the Board of Directors  
Stockholm Environment Institute U.S., Inc.

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Stockholm Environment Institute U.S., Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Stockholm Environment Institute U.S., Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2015, on our consideration of Stockholm Environment Institute U.S., Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stockholm Environment Institute U.S., Inc.'s internal control over financial reporting and compliance.



Stanton & Co.  
August 24, 2015

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

**ASSETS**

<b>CURRENT ASSETS:</b>	2014	2013
Cash and cash equivalents	\$ 1,096,487	\$ 1,061,561
Short-term investments	255,564	255,438
Contracts receivable	1,131,353	413,319
Grants receivable	253,673	320,490
Unbilled work in progress	215,213	556,799
Prepaid expenses	38,997	30,303
<b>TOTAL CURRENT ASSETS</b>	<b>2,991,287</b>	<b>2,637,910</b>
<b>PROPERTY &amp; EQUIPMENT:</b>		
Property & equipment, net	50,919	49,573
<b>TOTAL ASSETS</b>	<b>\$ 3,042,206</b>	<b>\$ 2,687,483</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 375,477	\$ 207,790
Accrued expenses	342,085	157,151
Rental deposits	-	150
Unearned revenue	364,079	235,234
<b>TOTAL LIABILITIES</b>	<b>1,081,641</b>	<b>600,325</b>
<b>NET ASSETS:</b>		
Unrestricted net assets	1,860,260	1,878,699
Temporarily restricted net assets	100,305	208,459
<b>TOTAL NET ASSETS</b>	<b>1,960,565</b>	<b>2,087,158</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,042,206</b>	<b>\$ 2,687,483</b>

The accompanying notes are an integral part of these financial statements.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
Contract revenue	\$ 3,348,219		\$ 3,348,219
Grant revenue	1,296,187	\$ 82,455	1,378,642
License revenue	130,008		130,008
Interest income	2,100		2,100
Sub lease income	13,350		13,350
Miscellaneous income	287		287
Satisfaction of program restrictions	<u>190,609</u>	<u>(190,609)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>4,980,760</u>	<u>(108,154)</u>	<u>4,872,606</u>
<b>EXPENSES AND LOSSES:</b>			
Program services	3,950,973		3,950,973
Management and general	<u>1,048,226</u>		<u>1,048,226</u>
<b>TOTAL EXPENSES</b>	<u>4,999,199</u>		<u>4,999,199</u>
Change in net assets	(18,439)	(108,154)	(126,593)
Net assets, beginning of period	1,878,699	208,459	2,087,158
Net assets, end of period	<u>\$ 1,860,260</u>	<u>\$ 100,305</u>	<u>\$ 1,960,565</u>

The accompanying notes are an integral part of these financial statements.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
Contract revenue	\$ 2,798,063		\$ 2,798,063
Grant revenue	1,226,810	\$ 186,053	1,412,863
License revenue	132,271		132,271
Interest income	2,398		2,398
Sub lease income	23,000		23,000
Miscellaneous income	45		45
Satisfaction of program restrictions	<u>48,339</u>	<u>(48,339)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>4,230,926</u>	<u>137,714</u>	<u>4,368,640</u>
<b>EXPENSES AND LOSSES:</b>			
Program services	3,273,293		3,273,293
Management and general	<u>1,003,804</u>		<u>1,003,804</u>
<b>TOTAL EXPENSES</b>	<u>4,277,097</u>	<u>-</u>	<u>4,277,097</u>
Change in net assets	(46,171)	137,714	91,543
Net assets, beginning of period	1,924,870	70,745	1,995,615
Net assets, end of period	<u>\$ 1,878,699</u>	<u>\$ 208,459</u>	<u>\$ 2,087,158</u>

The accompanying notes are an integral part of these financial statements.

**STOCKHOLM ENVIRONMENT INSTITUTE , INC.**  
**STATEMENTS OF CASH FLOWS YEARS**  
**ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ (126,593)	\$ 91,543
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	19,551	18,369
Bad debt expense	3,532	8,826
(Increase) decrease in operating assets:		
Contracts receivable	(721,566)	63,528
Grants receivable	66,817	(36,885)
Unbilled work in progress	341,586	(95,766)
Prepaid expenses	(8,694)	(1,377)
Increase (decrease) in operating liabilities:		
Accounts payable	167,687	74,832
Accrued expenses	184,934	1,507
Rental deposits	(150)	(4,850)
Unearned revenue	128,845	(59,725)
	55,949	60,002
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of computer equipment	-	1,086
Purchase of short-term investments	(126)	(125)
Purchase of equipment	(20,897)	(27,351)
	(21,023)	(26,390)
Net cash used by investing activities		
Net increase in cash	34,926	33,612
Cash and cash equivalents:		
Beginning of Year	1,061,561	1,027,949
End of Year	\$ 1,096,487	\$ 1,061,561

The accompanying notes are an integral part of these financial statements.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE A – NATURE OF ACTIVITIES**

Nature of Activities

Stockholm Environment Institute U.S., Inc. supports decision-making and inducing change towards sustainable development around the world by providing knowledge that bridges science and policy in the fields of environment and development, and by conducting innovative, integrated applied systems research, which forms the basis for policy advice, capacity building, decision support, and policy implementation.

Stockholm Environment Institute U.S., Inc. is an independent research affiliate of Tufts University. The Organization does not provide services or conduct activities other than those directly related to its stated purpose.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less.

Investments:

Short-term investments consist of certificates of deposits with terms longer than ninety days but less than one year. Investments are stated at cost, which approximates market.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization deemed no allowance for doubtful accounts necessary at December 31, 2014 and 2013.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

Property and equipment

Property and equipment purchased in excess of \$1,000 are recorded at cost at the date of acquisition. Contributed assets are capitalized at their fair values at the date of contribution. Proceeds from the sale of assets, if unrestricted, are transferred to unrestricted net assets or, if restricted, restricted for future acquisitions. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board *Financial Statements of Not-for-Profit Organizations*. Under these professional standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Revenue Recognition

Revenue from contracted services is recognized as the services are performed and specific benchmarks are achieved. Unbilled work in progress represents revenue that has been earned but will be billed at a future date. Funds received in advance of work performed are recorded as unearned revenue until the work is complete or specific benchmarks are achieved.

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Other expenses that are common to several functions are allocated based on salary expenditures.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

Income Taxes

The Organization is exempt from federal and state income tax under Section 501c (3) of the Internal Revenue Code and has been classified as an entity that is not a private foundation. Contributions to the Organization are tax deductible.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 125,245	\$ 109,672
Office furniture & equipment	45,207	41,133
Software	6,464	5,214
Less accumulated depreciation	<u>(125,997)</u>	<u>(106,446)</u>
Net	<u>\$ 50,919</u>	<u>\$ 49,573</u>

**NOTE D – COMMITMENTS**

The Organization leases two of its facilities under two rental agreements that expire July 2015 and September 2016, respectively. The agreements require monthly minimum lease payments.

Future minimum rental expense for the next five years is as follows:

Year Ending December 31,	
2015	\$99,071
2016	93,107
2017	56,567
2018	58,295
2019	<u>60,022</u>
Total	<u>\$367,062</u>

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE D – COMMITMENTS (continued)**

The Organization has two subleases at its Seattle office from August 2015 to July 2017. Rental income for the years ended December 31, 2014 and 2013 was \$13,350 and \$23,000, respectively.

Rental income for the years ended December 31, 2015, 2016 and 2017 will be \$13,650, \$14,280 and \$8,330, respectively.

Total occupancy expense, including rent and utilities, for the years ended December 31, 2014 and 2013 was \$174,282 and \$183,750, respectively.

**NOTE E – CONCENTRATIONS**

Cash

The Organization maintains several bank accounts at one bank, as well as an account at two other banks. Both banks are insured by the FDIC up to the federally insured limit of \$250,000. One of the banks is also a member of the Depositors Insurance Fund (DIF). The DIF is a private, industry-sponsored excess deposit insurance company. It insures all deposits above the FDIC limit in eighty Massachusetts chartered savings banks. All banks that are members of the DIF are also members of the FDIC. DIF deposit insurance is backed solely by its own assets. At December 31, 2014 and 2013 \$5,564 and \$5,438, respectively, of the Organization's cash is uninsured.

Grants and Contracts

Major grants and contracts are those \$50,000 or more. Four grantors in 2014 and four grantors in 2013 accounted for 97.5% and 96% of grant income, respectively. One grantor accounted for 44% and 42% of total grant income in 2014 and 2013, respectively. Seven clients in 2014 and twelve clients in 2013 accounted for 81% and 79% of contract income, respectively. Eight clients comprise 88% of contracts receivable at December 31, 2014. Six clients comprise 65% of contracts receivable at December 31, 2013.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted assets are available for the following purposes at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
GIZ Carbon Lock-in	\$ 42,342	
Blue Moon Ayeyarwady River Basin	-	\$124,500
Colombia Matching Funds	14,096	45,741
Rockefeller Foundation Aosis	-	16,652
SEI - Core	40,113	14,789
CV Reservoir Operations	3,754	5,755
US AID Colombia	-	1,022
	<u>\$100,305</u>	<u>\$208,459</u>

**NOTE G – FOREIGN CURRENCY TRANSACTIONS**

The Organization has grants and contracts with foreign agencies that pay the Organization in currencies other than the entity's functional currency (foreign currencies). Exchange differences arising on the settlement of receivables are included in the Statement of Activities for the period. Foreign currency loss for the years ended December 31, 2014 and 2013 totaled \$123,783 and \$15,444, respectively.

**NOTE H – EMPLOYEE BENEFIT PLAN**

The Organization has a defined contribution profit sharing plan under Internal Revenue Code Section 401 (k) and substantially all eligible employees of the Organization may participate in this plan. The Organization provides a maximum matching contribution 100% of the first 4% of salary invested in the plan by a participant. The Organization made contributions of \$82,541 and \$72,303 for the years ended December 31, 2014 and 2013, respectively.

**NOTE I – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 24, 2015 the date the financial statements were available to be issued.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,684,206	\$ 458,543	\$ 2,142,749
Payroll taxes	128,256	34,077	162,333
Employee benefits	216,661	108,350	325,011
Professional and consulting fees	1,270,520	64,830	1,335,350
Travel	476,884	58,501	535,385
Occupancy		174,282	174,282
Depreciation		19,551	19,551
Professional development	1,628	9,202	10,830
Foreign currency loss	123,783		123,783
Insurance		31,508	31,508
Internet services		16,306	16,306
Office supplies and costs		30,644	30,644
Printing and publication costs	7,694	481	8,175
Postage		3,742	3,742
Banking charges	33	9,070	9,103
Telephone		12,442	12,442
Bad debt expense		3,532	3,532
Foreign taxes	1,715		1,715
Miscellaneous	39,593	13,165	52,758
TOTAL	<u>\$ 3,950,973</u>	<u>\$ 1,048,226</u>	<u>\$ 4,999,199</u>

The accompanying notes are an integral part of these financial statements.

**STOCKHOLM ENVIRONMENT INSTITUTE U.S, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,500,070	\$ 440,433	\$ 1,940,503
Payroll taxes	111,319	33,837	145,156
Employee benefits	162,710	74,193	236,903
Professional and consulting fees	1,093,044	72,017	1,165,061
Travel	365,916	50,187	416,103
Occupancy		183,750	183,750
Depreciation		18,369	18,369
Professional development	1,925	6,291	8,216
Foreign currency loss	15,444		15,444
Insurance		28,200	28,200
Internet services		14,386	14,386
Office supplies and costs		31,692	31,692
Printing and publication costs	5,480	2,764	8,244
Postage		4,054	4,054
Banking charges	5	7,009	7,014
Telephone		14,974	14,974
Bad debt expense		8,826	8,826
Foreign taxes	6,665		6,665
Miscellaneous	10,715	12,822	23,537
TOTAL	<u>\$ 3,273,293</u>	<u>\$ 1,003,804</u>	<u>\$ 4,277,097</u>

The accompanying notes are an integral part of these financial statements.