

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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, and the related statements of activities, functional expenses 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, 2015 and 2014, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is 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 September 26, 2016, 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.
Woburn, Massachusetts
September 26, 2016

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

CURRENT ASSETS:	2015	2014
Cash and cash equivalents	\$ 1,507,285	\$ 1,096,487
Short-term investments	255,691	255,564
Contracts receivable	832,501	1,131,353
Grants receivable	83,623	253,673
Unbilled work in progress	267,896	215,213
Prepaid expenses	41,598	38,997
TOTAL CURRENT ASSETS	2,988,594	2,991,287
 PROPERTY & EQUIPMENT:		
Property & equipment, net	48,384	50,919
TOTAL ASSETS	\$ 3,036,978	\$ 3,042,206

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 170,565	\$ 375,477
Accrued expenses	343,557	342,085
Unearned revenue	239,916	364,079
TOTAL LIABILITIES	754,038	1,081,641
 NET ASSETS:		
Unrestricted net assets	1,895,437	1,860,260
Temporarily restricted net assets	387,503	100,305
TOTAL NET ASSETS	2,282,940	1,960,565
TOTAL LIABILITIES AND NET ASSETS	\$ 3,036,978	\$ 3,042,206

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

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contract revenue	\$ 3,352,419		\$ 3,352,419
Grant revenue	1,202,195	\$ 385,269	1,587,464
License revenue	173,733		173,733
Interest income	1,703		1,703
Sub lease income	17,700		17,700
Miscellaneous income	1,282		1,282
Satisfaction of program restrictions	98,071	(98,071)	-
TOTAL REVENUE	<u>4,847,103</u>	<u>287,198</u>	<u>5,134,301</u>
EXPENSES AND LOSSES:			
Program services	3,728,168		3,728,168
Management and general	1,083,758		1,083,758
TOTAL EXPENSES	<u>4,811,926</u>	<u>-</u>	<u>4,811,926</u>
Change in net assets	35,177	287,198	322,375
Net assets, beginning of period	1,860,260	100,305	1,960,565
Net assets, end of period	<u>\$ 1,895,437</u>	<u>\$ 387,503</u>	<u>\$ 2,282,940</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
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	190,609	(190,609)	-
TOTAL REVENUE	<u>4,980,760</u>	<u>(108,154)</u>	<u>4,872,606</u>
EXPENSES AND LOSSES:			
Program services	3,950,973		3,950,973
Management and general	1,048,226		1,048,226
TOTAL EXPENSES	<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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Programs</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,775,148	\$ 529,117	\$ 2,304,265
Payroll taxes	129,703	40,121	169,824
Employee benefits	255,674	78,933	334,607
Professional and consulting fees	1,191,564	46,045	1,237,609
Travel	286,274	60,887	347,161
Occupancy		176,720	176,720
Depreciation		19,772	19,772
Professional development	2,967	23,843	26,810
Foreign currency loss	69,554		69,554
Insurance		30,165	30,165
Internet services	1,485	19,852	21,337
Office supplies and costs		17,940	17,940
Printing and publication costs	1,582	2,171	3,753
Postage		3,301	3,301
Banking charges	14	7,877	7,891
Telephone		10,127	10,127
Miscellaneous	14,203	16,887	31,090
TOTAL	<u>\$ 3,728,168</u>	<u>\$ 1,083,758</u>	<u>\$ 4,811,926</u>

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

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
STATEMENT 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 , INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 322,375	\$ (126,593)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	19,772	19,551
Bad debt expense	-	3,532
Decrease (Increase) in operating assets:		
Contracts receivable	298,852	(721,566)
Grants receivable	170,050	66,817
Unbilled work in progress	(52,683)	341,586
Prepaid expenses	(2,601)	(8,694)
(Decrease) Increase in operating liabilities:		
Accounts payable	(204,912)	167,687
Accrued expenses	1,472	184,934
Rental deposits	-	(150)
Unearned revenue	(124,163)	128,845
	<u>428,162</u>	<u>55,949</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of short-term investments	(127)	(126)
Purchase of equipment	(17,237)	(20,897)
	<u>(17,364)</u>	<u>(21,023)</u>
Net cash used by investing activities		
Net increase in cash	410,798	34,926
Cash and cash equivalents:		
Beginning of Year	<u>1,096,487</u>	<u>1,061,561</u>
End of Year	<u>\$ 1,507,285</u>	<u>\$ 1,096,487</u>

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

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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.

Contract and Grant 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, 2015 and 2014.

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

**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, 2015 AND 2014

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>2015</u>	<u>2014</u>
Computer equipment	\$ 135,144	\$ 125,245
Office furniture & equipment	46,988	45,207
Software	12,022	6,464
Less accumulated depreciation	<u>(145,769)</u>	<u>(125,997)</u>
Net	<u>\$ 48,384</u>	<u>\$ 50,919</u>

NOTE D – COMMITMENTS

The Organization leases two of its facilities under two rental agreements that expire August 2020 and September 2016, respectively. The agreements require monthly minimum lease payments.

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

Year Ending December 31,	
2016	\$103,284
2017	127,923
2018	131,195
2019	134,468
2020	<u>116,678</u>
Total	<u>\$613,548</u>

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE D – COMMITMENTS (continued)

The Organization has two subleases at its Seattle office from August 2015 to July 2017 and one sublease from August 2015 to June 2016. Rent expense for the years ending December 31, 2015 and 2014 was \$172,297 and \$169,253, respectively. Rental income for the years ending December 31, 2015 and 2014 was \$17,700 and \$13,350, respectively.

Minimum rental income for the years ended December 31, 2016 and 2017 will be \$17,880 and \$8,330 respectively.

Total occupancy expense, including rent and utilities, for the years ended December 31, 2015 and 2014 was \$176,720 and \$174,282, 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, 2015 and 2014 \$5,691 and \$5,564, respectively, of the Organization's cash is uninsured.

Grants and Contracts

Major grants and contracts are those \$50,000 or more. Seven grantors in 2015 and four grantors in 2014 accounted for 88% and 98% of grant income, respectively. One grantor accounted for 33% and 44% of total grant income in 2015 and 2014, respectively. Ten clients in 2015 and seven clients in 2014 accounted for 79% and 81% of contract income, respectively. Three clients comprise 65% of contracts receivable at December 31, 2015. Eight clients comprise 88% of contracts receivable at December 31, 2014.

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Bloomberg City-Scale Actions	\$221,510	-
City Alliance Bangalore	31,297	-
Columbia Matching Funds	2,234	\$ 14,096
CV Reservoir Operations	-	3,754
Energy Foundation	29,271	-
GIZ Carbon Lock-In	-	42,342
SEI-Core	-	40,113
Overlook Foundation Honduras	83,002	-
WRI Indian State Electricity Planning	<u>20,189</u>	<u>-</u>
	<u>\$387,503</u>	<u>\$100,305</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, 2015 and 2014 totaled \$69,955 and \$123,783, 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 \$87,165 and \$82,541 for the years ended December 31, 2015 and 2014, respectively.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2016 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

Federal Grantor/ Pass through grantor	Federal CFDA No.	Contract No.	Federal Expenditures	Passed Through to Subrecipients
Research and Development - Cluster				
U.S. Agency for International Development	98.001	AID-514-A-12-00002	\$ 145,811	\$ 43,283.00
DAI MENA water use efficiency		AID-OAA-TO-11-00049	37,735	-
International Resources Group (Engility Corp.)		AID-492-TO-14-00005	142,837	-
AECOM USA, Inc.		AID-EDH-I-00-08-00024	371,904	-
Total U.S. Agency for International Development			\$ 698,287	\$ 43,283.00
Environmental Protection Agency				
Facilitating Clean Cookstoves	UNKNOWN	83542101	\$ 41,491	\$ 10,800
Total Environmental Protection Agency			\$ 41,491	\$ 10,800
National Aeronautics and Space Administration				
Columbia University	43.001	NNX12AR20A	\$ 129,302	-
Total National Aeronautics and Space Administration			\$ 129,302	-
Department of the Army				
U.S. Army Corps of Engineers	UNKNOWN	IPA-16-0001	\$ 16,221	-
Total U.S. Army Corps of Engineers			\$ 16,221	-
Total Research and Development Cluster and Expenditures of Federal Awards			\$ 885,301	\$ 54,083

The accompanying notes are an integral part of this schedule.

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) summarizes the federal expenditures of Stockholm Environment Institute U.S., Inc. (“the Organization”) under programs of the federal government for the year ended December 31, 2015. The amounts reported as federal expenditures were obtained from the Organization’s general ledger. Because the schedule presents only a selected portion of the Organization’s operations, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. The Organization receives funds from the federal government in the form of grants and contracts either directly from the government or through pass through agencies.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Organization and agencies and departments of the federal government and all sub awards to the Organization by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

B. SUMMARY OF SIGNIFACT ACCOUNTING POLICES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stockholm Environment Institute U.S., Inc. and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

C. INDIRECT COST RATE

Stockholm Environment Institute U.S., Inc. has a federally negotiated indirect cost rate that is being used for federal awards and has elected not to use the 10-percent de minimis indirect cost rate.