

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

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



**Mission Statement**

*Stockholm Environment Institute is an international nonprofit research and policy organization that tackles environment and development challenges.*

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Stockholm Environment Institute U.S., Inc. (a Massachusetts nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statement 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 audits 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 financial statements are free of 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 auditor's 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 Organization'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 Organization'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, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

**Emphasis of a Matter**

As discussed in Note 14 to the financial statements, the Organization has restated its opening net assets as of January 1, 2019.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
June 4, 2021

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND 2019

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash	\$ 1,980,975	\$ 808,564
Short-Term Investments	1,539,165	1,531,777
Contracts Receivable	1,140,842	1,001,478
Grants Receivable	349,716	77,206
Accrued Receivables	338,359	157,729
Prepaid Expenses	25,010	40,402
Total Current Assets	<u>5,374,067</u>	<u>3,617,156</u>
 <b><u>PROPERTY AND EQUIPMENT, NET</u></b>	 <u>16,736</u>	 <u>27,894</u>
 <b><u>NON-CURRENT ASSETS:</u></b>		
Grants Receivable, Non-Current	<u>28,123</u>	<u>-</u>
Total Non-Current Assets	<u>28,123</u>	<u>-</u>
 <b><u>TOTAL ASSETS</u></b>	 <b><u>\$ 5,418,926</u></b>	 <b><u>\$ 3,645,050</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable and Accrued Expenses	\$ 104,068	\$ 301,514
Accrued Payroll and Fringe Benefits	74,503	31,095
Accrued Vacation	343,696	214,227
Deferred Revenue	601,816	430,928
Conditional Grant Advances	636,065	-
Total Current Liabilities	<u>1,760,148</u>	<u>977,764</u>
 <b><u>NET ASSETS:</u></b>		
Net Assets Without Donor Restrictions:		
Board Designated Operating Reserve	737,437	-
Operating	<u>2,144,743</u>	<u>2,503,946</u>
Total Net Assets Without Donor Restrictions	2,882,180	2,503,946
Net Assets With Donor Restrictions	<u>776,598</u>	<u>163,340</u>
Total Net Assets	<u>3,658,778</u>	<u>2,667,286</u>
 <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	 <b><u>\$ 5,418,926</u></b>	 <b><u>\$ 3,645,050</u></b>

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u>	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u>
<b><u>SUPPORT, REVENUES, GAINS AND RECLASSIFICATIONS:</u></b>						
<i>Support and Revenues:</i>						
Contract Revenue	\$ 4,037,468	\$ -	\$ 4,037,468	\$ 4,210,753	\$ -	\$ 4,210,753
Grant Revenue	24,425	1,488,520	1,512,945	423,313	517,884	941,197
License Revenue	244,529	-	244,529	275,331	-	275,331
Investment and Interest Income	10,357	-	10,357	29,862	-	29,862
Sublease Income	13,800	-	13,800	18,800	-	18,800
Miscellaneous Income	87,654	-	87,654	5,125	-	5,125
Total Support and Revenues	4,418,233	1,488,520	5,906,753	4,963,184	517,884	5,481,068
<i>Gains:</i>						
Foreign Currency Translation Gain	15,754	-	15,754	-	-	-
<i>Reclassification of Net Assets- Released from Restriction:</i>						
Satisfaction of Time and Purpose Restrictions	875,262	(875,262)	-	734,792	(734,792)	-
<b><u>TOTAL SUPPORT, REVENUES, GAINS AND RECLASSIFICATIONS</u></b>	<b><u>5,309,249</u></b>	<b><u>613,258</u></b>	<b><u>5,922,507</u></b>	<b><u>5,697,976</u></b>	<b><u>(216,908)</u></b>	<b><u>5,481,068</u></b>
<b><u>FUNCTIONAL EXPENSES AND LOSSES:</u></b>						
<i>Functional Expenses:</i>						
Program Services	3,737,109	-	3,737,109	4,280,868	-	4,280,868
Administrative	741,043	-	741,043	692,539	-	692,539
Development	452,863	-	452,863	432,136	-	432,136
Total Functional Expenses	4,931,015	-	4,931,015	5,405,543	-	5,405,543
<i>Losses:</i>						
Foreign Currency Translation Loss	-	-	-	178,972	-	178,972
<b><u>TOTAL FUNCTIONAL EXPENSES AND LOSSES</u></b>	<b><u>4,931,015</u></b>	<b><u>-</u></b>	<b><u>4,931,015</u></b>	<b><u>5,584,515</u></b>	<b><u>-</u></b>	<b><u>5,584,515</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>378,234</b>	<b>613,258</b>	<b>991,492</b>	<b>113,461</b>	<b>(216,908)</b>	<b>(103,447)</b>
<b><u>NET ASSETS - BEGINNING OF YEAR AS RESTATED</u></b> <i>(Note 14)</i>	<b><u>2,503,946</u></b>	<b><u>163,340</u></b>	<b><u>2,667,286</u></b>	<b><u>2,390,485</u></b>	<b><u>380,248</u></b>	<b><u>2,770,733</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 2,882,180</u></b>	<b><u>\$ 776,598</u></b>	<b><u>\$ 3,658,778</u></b>	<b><u>\$ 2,503,946</u></b>	<b><u>\$ 163,340</u></b>	<b><u>\$ 2,667,286</u></b>

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

*(With Summarized Comparative Totals for 2019)*

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMIN-</u> <u>ISTRATIVE</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2020</u>	<u>2019</u>
<i><u>Personnel and Related Expenses :</u></i>					
Salaries and Wages	\$ 2,487,581	\$ 407,966	\$ 341,296	\$ 3,236,843	\$ 2,867,090
Payroll Taxes	182,399	29,914	25,025	237,338	213,519
Employee Benefits	402,366	65,988	55,204	523,558	426,139
Total Personnel and Related Expenses	<u>3,072,346</u>	<u>503,868</u>	<u>421,525</u>	<u>3,997,739</u>	<u>3,506,748</u>
<i><u>Operating Expenses :</u></i>					
Professional and Consulting Fees	402,597	83,285	10,500	496,382	1,043,660
Travel	33,689	157	-	33,846	381,154
Data Access	-	-	-	-	41,000
Occupancy	151,878	24,908	20,838	197,624	207,103
Depreciation Expense	-	11,158	-	11,158	14,738
Professional Development	5,990	2,571	-	8,561	16,595
Insurance	-	25,229	-	25,229	33,834
Internet Services	41,657	16,372	-	58,029	48,003
Office Supplies and Costs	-	40,405	-	40,405	33,843
Printing and Publication Costs	8,028	419	-	8,447	16,801
Banking Charges	-	14,004	-	14,004	9,795
Telephone	900	4,930	-	5,830	8,294
Miscellaneous	20,024	13,737	-	33,761	43,975
Total Operating Expenses	<u>664,763</u>	<u>237,175</u>	<u>31,338</u>	<u>933,276</u>	<u>1,898,795</u>
 <b>Total Functional Expenses</b>	 <b><u>\$ 3,737,109</u></b>	 <b><u>\$ 741,043</u></b>	 <b><u>\$ 452,863</u></b>	 <b><u>\$ 4,931,015</u></b>	 <b><u>\$ 5,405,543</u></b>



STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMIN-</u> <u>ISTRATIVE</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
<i>Personnel and Related Expenses :</i>				
Salaries and Wages	\$ 2,162,703	\$ 381,224	\$ 323,163	\$ 2,867,090
Payroll Taxes	159,705	29,950	23,864	213,519
Employee Benefits	323,971	53,758	48,410	426,139
Total Personnel and Related Expenses	<u>2,646,379</u>	<u>464,932</u>	<u>395,437</u>	<u>3,506,748</u>
<i>Operating Expenses :</i>				
Professional and Consulting Fees	941,821	88,484	13,355	1,043,660
Travel	372,823	8,331	-	381,154
Data Access	41,000	-	-	41,000
Occupancy	156,222	27,537	23,344	207,103
Depreciation Expense	-	14,738	-	14,738
Professional Development	14,320	2,275	-	16,595
Insurance	20,511	13,323	-	33,834
Internet Services	29,977	18,026	-	48,003
Office Supplies and Costs	11,386	22,457	-	33,843
Printing and Publication Costs	15,876	925	-	16,801
Banking Charges	-	9,795	-	9,795
Telephone	4,329	3,965	-	8,294
Miscellaneous	26,224	17,751	-	43,975
Total Operating Expenses	<u>1,634,489</u>	<u>227,607</u>	<u>36,699</u>	<u>1,898,795</u>
<b>Total Functional Expenses</b>	<b><u>\$ 4,280,868</u></b>	<b><u>\$ 692,539</u></b>	<b><u>\$ 432,136</u></b>	<b><u>\$ 5,405,543</u></b>

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 991,492	\$ (103,447)
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	11,158	14,738
Investment Income	(7,388)	27,157
<i>(Increase) Decrease in Current Assets:</i>		
Contracts Receivable	(139,364)	(18,472)
Grants Receivable	(272,510)	(2,287)
Accrued Receivables	(180,630)	99,376
Prepaid Expenses	15,392	(1,397)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(197,446)	34,355
Accrued Payroll and Fringe Benefits	43,408	12,121
Accrued Vacation	129,469	56,363
Deferred Revenue	170,888	140,057
Conditional Grant Advances	636,065	-
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Non-Current	(28,123)	-
Net Adjustment	<u>180,919</u>	<u>362,011</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>1,172,411</u></b>	<b><u>258,564</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Short-Term Investments	-	(1,308,992)
Proceeds from Sale of Equipment	-	1,789
Net Cash Flows from Investing Activities	<u>-</u>	<u>(1,307,203)</u>
<b><u>NET INCREASE (DECREASE) IN CASH BALANCES</u></b>	<b><u>1,172,411</u></b>	<b><u>(1,048,639)</u></b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>808,564</u></b>	<b><u>1,857,203</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 1,980,975</u></b>	<b><u>\$ 808,564</u></b>

STOCKHOLM ENVIRONMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND AFFILIATIONS

**Organization:**

Stockholm Environmental Institute U.S., Inc. (the “Center”, “SEI US” or the “Organization”) is a non-profit research organization with offices in California, Massachusetts and Washington State. The Center conducts research and engages with decision-makers on energy, water and climate policy. SEI US was incorporated in 2006 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. Stockholm Environmental Institute U.S., Inc. is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Center qualify for the maximum charitable deduction for federal income tax purposes.

**Affiliations:**

SEI US is an affiliate of the Stockholm Environment Institute, a nonprofit organization based in Stockholm, Sweden, referred to in these financial statements as SEI Global. SEI Global has seven centers around the world in the UK, the US, Thailand, Kenya, Estonia and Colombia. The headquarters is located in Sweden.

All Centers of SEI Global are dedicated to providing scientifically based policy analysis, decision support and capacity development on issues related to environmental sustainability.

The Executive Director of SEI Global serves as the Chair of the Board of Directors of SEI US.

SEI US is an independent research affiliate of Tufts University (“Tufts”). SEI US and Tufts collaborate on research, publications and events. SEI US staff teach classes and offer internships to Tufts students. Tufts provides SEI US with certain administrative support and access to certain campus facilities.

NOTE 2 PROGRAM SERVICES

SEI US has offices in Somerville, Massachusetts; Davis, California; and Seattle, Washington. The Center conducts research and engages with decision-makers and civil society on energy, water, and climate policy as well as on broader dimensions of development, sustainability, and equity. It builds capacity through training and collaboration, and its decision-support tools are used widely around the globe.

SEI US supports decision-making and inducing change toward 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.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Center’s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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; however, adherence to generally accepted accounting principles has, in the management’s opinion, resulted in reliable and consistent financial reporting by the Center.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

**Basis of Accounting:**

The Center's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Center reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Center that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification includes funds which represent resources designated by the Board of Directors for specific purposes.

*Net Assets With Donor Restrictions* - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Center. Resources of this nature originate from gifts or grants and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Center to expend part or all of the income derived from the donated assets. In the accompanying financial statements, net assets within this classification consist of unexpended grants with donor-imposed restrictions.

**Contracts and Grants Receivable:**

*Contracts Receivable* represents amounts due from contracts and earned contract revenues. SEI US carries its *Contracts Receivable* at net realizable value. Management periodically reviews specific receivables to determine if any balances are uncollectible. As of December 31, 2020 and 2019, all receivables were considered fully collectible; accordingly, there is no provision for uncollectible receivables and there was no bad debt expense for the years then ended. If amounts become uncollectible, a provision will be established when that determination is made. SEI US does not accrue interest on its receivables. A receivable is considered past due if payment has not been received within the stated terms. SEI US will then exhaust all methods to collect the receivable. For the years presented, the Center did not report any bad debts on uncollectible contract receivables.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

*Grants Receivable* reflects the balance due on grant commitments which represent unconditional promises to give. The portion of grants receivable which is scheduled for payment in the coming year is classified as current, while commitments that exceed one year are classified as non-current. As of December 31, 2020, one grant receivable was due in 2022, with the remainder classified as current. As of December 31, 2019, all grants receivable were classified as current. Management considers these grant commitments to be fully collectible and therefore, has not established a reserve for uncollectible grants. If grants become uncollectible, a reserve will be established at that time. For the years presented, the Center did not report any losses on unpaid grant commitments.

**Accrued Receivables:**

*Accrued Receivables* represents amounts recognized as revenue based upon eligible expenditures that have been incurred; however, not yet billable under the terms of the grant or contract.

**Short-Term Investments:**

The Organization previously maintained its excess cash in an investment account which consisted of cash and certificates of deposit with terms longer than 90 days but less than one year. During 2019, as the certificates of deposit matured, the proceeds were invested in a money market fund. As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, investment purchases are recorded at cost, or if donated at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return (loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. Investments are classified as either short-term or long-term, depending upon the underlying intentions. In the accompanying financial statements, all investments are classified as short term, consistent with management's intentions.

**Property and Equipment:**

The Center records all property and equipment at cost, if purchased (exceeding \$5,000), or if donated, at the fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation is computed using the straight-line method, and is charged against activities over the estimated useful lives of the assets, which is typically three to five years.

**Revenue Recognition:**

Revenue from grants and contracts is recognized as eligible expenditures are incurred or as deliverable services are provided under the terms of the grant or contract. When the Center receives payment in advance of services rendered or costs incurred, such as an advance payment or scheduled installment, the funds received in excess of amounts earned are recorded as *Deferred Revenue* in the accompanying Statements of Financial Position.

Revenue from WEAP and LEAP license agreements is recognized ratably over the term of the license. Funds received in excess of amounts earned are recorded as *Deferred Revenue* in the accompanying Statements of Financial Position.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues, and the Center is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, or promises to give.

The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. When the conditions are met, the corresponding support is reported as contributions with donor restrictions.

Multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Except as noted above, support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction until the restrictions expire, at which time these amounts are reclassified to net assets without donor restrictions.

**Functional Expenses:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Center allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from the level of effort worked. For the year presented, *Salaries and Wages*, *Payroll Taxes* and *Employee Benefits* are allocated based on employee time and effort.

Program expenses include the cost of program implementation and the related planning and department management. Supporting services are those costs related to operating and managing the Center as well as those costs related to procuring contracts and grants.

Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to the Center's finance department, contract management, human resources, information technology, legal, board, office management and Center leadership.

*Development* - includes time spent by program staff related to responding to requests for proposals, and other similar activities related to the procurement of funds.

**Reclassifications:**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

**Recent Accounting Guidance:**

*Recently Implemented Standards*

In May 2014, the FASB issued ASC Update (“ASU”) No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard was adopted by the Center effective January 1, 2019. Analysis of various provisions of this standard resulted in one significant change in the way the Center recognized revenue, and therefore a restatement of the opening net asset balance was required (See Note 14). The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Center effective January 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Center has not restated its opening net assets for the year presented.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of *Property and Equipment* as of December 31, 2020:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer Equipment	5	\$173,336	\$157,266	\$16,070
Office Furniture and Equipment	5	48,218	47,849	369
Software	3	<u>15,869</u>	<u>15,572</u>	<u>297</u>
Total		<u>\$237,423</u>	<u>\$220,687</u>	<u>\$16,736</u>

The following is a summary of *Property and Equipment* as of December 31, 2019:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer Equipment	5	\$173,336	\$146,859	\$26,477
Office Furniture and Equipment	5	48,218	47,425	793
Software	3	<u>15,869</u>	<u>15,245</u>	<u>624</u>
Total		<u>\$237,423</u>	<u>\$209,529</u>	<u>\$27,894</u>

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 5      DEFERRED REVENUE FROM CONTRACTS AND LICENSE AGREEMENTS

For the years ended December 31, 2020 and 2019, deferred revenue from contracts and WEAP and LEAP license agreements is summarized below:

	<u>Unearned Contract Revenue</u>	<u>Unearned License Revenue</u>	<u>Total</u>
Deferred Revenue, December 31, 2018	\$ 92,432	\$ 198,439	\$ 290,871
Revenue Recognized that was Included in Deferred Revenue at the Beginning of the Year	(92,157)	(196,438)	(288,595)
Increase in Deferred Revenue Due to Cash Received During the Year	<u>258,921</u>	<u>169,731</u>	<u>428,652</u>
Deferred Revenue, December 31, 2019	259,196	171,732	430,928
Revenue Recognized that was Included in Deferred Revenue at the Beginning of the Year	(255,881)	(125,428)	(381,309)
Increase in Deferred Revenue Due to Cash Received During the Year	<u>220,706</u>	<u>331,491</u>	<u>552,197</u>
Deferred Revenue, December 31, 2020	<u>\$ 224,021</u>	<u>\$ 377,795</u>	<u>\$ 601,816</u>

NOTE 6      NET ASSETS

**Net Assets with Donor Restrictions:**

As of December 31, 2020 and 2019, net assets with donor restrictions consists of unexpended donor designated grants and contributions for research programs in the aggregate amount of \$776,598 and \$163,340, respectively.

Net assets released from restrictions by incurring expenses for research programs which satisfied the purposes or by occurrence of events specified by the donors totaled \$875,262 and \$734,792 for the years ended December 31, 2020 and 2019, respectively.

**Board Designed Operating Reserve:**

During 2020 the Board of Directors approved an Operating Reserve Policy to ensure an adequate level of net assets without donor restrictions to support the Center's day-to-day administrative costs in the event of unforeseen financial shortfalls, including temporary cash flows shortages that may result from delayed payments from funders. The reserve may also be used for one time, nonrecurring expenses that build the Center's long-term capacity. As of December 31, 2020, the *Board Designated Operative Reserve* balance was \$737,437.

NOTE 7      LEASE COMMITMENTS

The Center leases three of its facilities under three rental agreements in Seattle, Washington; Somerville, Massachusetts; and Davis, California that expire August 2020, November 2022 and October 2021, respectively. The lease in Seattle, Washington was not renewed. The agreements require monthly minimum lease payments. The Center also subleases space to Tufts at its Somerville, MA office pursuant to a sublease agreement that expires September 30, 2021.



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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 7 (Continued)

The aggregate rent expense for the years ended December 31, 2020 and 2019 was \$191,545 and \$200,111, respectively, and is included in the *Occupancy* line on the Statement of Functional Expenses. Sublease income for the years ended December 31, 2020 and 2019 was \$13,800 and \$18,800, respectively.

As of December 31, 2020, the future minimum lease payments due under these lease agreements are as follows:

<u>Year Ending</u>	<u>Gross Rent Obligation</u>	<u>Sublease Income</u>	<u>Net Lease Obligation</u>
December 31, 2021	\$132,640	\$5,400	\$127,240
December 31, 2022	<u>61,530</u>	<u>-</u>	<u>61,530</u>
Total	<u>\$194,170</u>	<u>\$5,400</u>	<u>\$188,770</u>

NOTE 8 RETIREMENT PLAN

The Center has a defined contribution plan under the IRC Section 403(b) and substantially all employees of the Center may participate in this plan. The Center provides a maximum matching contribution of up to 4% of gross salary invested in the plan by a participant. For the years ended December 31, 2020 and 2019, the Center made contributions to the plan totaling \$133,960 and \$111,012, respectively. The amount is included in the *Employee Benefits* line on the Statement of Functional Expenses.

NOTE 9 FOREIGN CURRENCY TRANSACTIONS

The Center receives payments on grants and contracts from SEI Global and other funders in currencies other than the U.S. Dollar, the Center's functional currency. For stable budget management, the Center budgets and records expenses on each grant or contract using an exchange rate based on when the agreement was established. Differences resulting from fluctuations in the exchange rate are booked as gains and losses on foreign currency and are included in the Statement of Activities for the period. Foreign currency gains and (losses) totaled \$15,754 and \$(178,972) for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 CONCENTRATIONS

**Cash and Investments:**

The Center maintains several bank accounts at Cambridge Savings Banks and an account at Fidelity Investments. Cambridge Savings Bank is insured by the FDIC up to the federally insured limit of \$250,000 and 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. All banks that are members of the DIF are also members of the FDIC. DIF deposit insurance is backed solely by its own assets. Fidelity Investments is insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including cash claims to \$250,000. Since the Center's investments are in a money market mutual fund, they are considered to be invested in a security and covered for the full \$500,000. As of December 31, 2020 and 2019, all of the Center's cash held at Cambridge Savings Bank is insured and the investments at Fidelity exceeded the SIPC insured balance by \$1,039,165 and \$1,031,777, respectively.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 10 (Continued)

**Revenue and Receivables:**

Revenue agreements with SEI Global represent approximately 35% and 28% of total *Support and Revenues* and 77% and 49% of *Contract Receivables* as of and for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, substantially all of the grants receivables were from two and three funders, respectively.

Aggregate grants from two funders were \$725,000 for the year ended December 31, 2020, and accounted for 12% of total *Support and Revenues*.

NOTE 11 CONDITIONAL GRANT AWARDS AND CONTINGENCIES

The Center receives funding under cost reimbursement agreements. These reimbursements are subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Center as of December 31, 2020 and 2019, or its changes in net assets for the years then ended.

**Paycheck Protection Program:**

The Center received a loan in the amount of \$518,265 from Cambridge Savings Bank through the Paycheck Protection Program established by the U.S. CARES Act (the "PPP Loan") on May 1, 2020. The Center has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. The Center intends to apply for and receive partial forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, mortgage interest, rent utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Center decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. The Center expects to meet the requirements for loan forgiveness. The Center must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration ("SBA") and then approved. The Center elected to use a 24-week covered period which expires in October 16, 2020. As of December 31, 2020 the Center has incurred qualifying costs, yet it is management's position that the application for forgiveness is a conditional barrier, and therefore the full loan balance is reported on the accompanying statements of financial position as a *Conditional Grant Advances*, a current liability, as of December 31, 2020. The expended funds will be recognized as grant income in 2021, the fiscal year in which management anticipates that the SBA will approve the loan forgiveness.

**Conditional Grant:**

On December 15, 2020, the Organization was awarded a conditional grant of \$180,000 that is contingent upon specific key personnel performing research from January 2021 through December 2023. In December 2020, the Organization received an advance on this grant in the amount of \$117,800 which is included in the *Conditional Grant Advances* balance on the Statements of Financial Position.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 11 (Continued)

**Impact of COVID-19:**

The COVID-19 outbreak has caused business disruption through closings and delays. While the disruption is expected to be temporary, there is considerable uncertainty. Therefore, the related financial impact and duration cannot be reasonably estimated. Due to no cost extensions and suspension or delay of activities in some limited cases, certain contract revenues and liabilities may be realized more than twelve months from the statement of financial position date.

As part of relief efforts from the COVID-19 pandemic, the Center received \$80,550 in credits from the Family First Coronavirus Response Act (“FFCRA”) which is included in *Miscellaneous Income* in the Statements of Activities for the year ended December 31, 2020.

NOTE 12 RELATED PARTY TRANSACTIONS

Due to its research affiliation with SEI Global, SEI US often collaborates with SEI Global on projects. Usually, SEI Global is the contract administrator, but sometimes it is SEI US. For the years ended December 31, 2020 and 2019, *Contract Revenue* includes \$2,039,103 and \$1,557,486 from SEI Global of which amount, \$878,683 and \$494,436 is included in *Contract Receivable*, respectively. For the years ended December 31, 2020 and 2019, *Professional and Consulting Fees* includes agreements with SEI Global totaling \$67,149 and \$68,891, of which amount, \$62,605 and \$55,000 is included within *Accounts Payable and Accrued Expenses*, respectively.

NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Center’s financial assets as of December 31, 2020 and 2019, reduced by amounts which are not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the Statement of Financial Position date or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment.

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$1,980,975	\$ 808,564
Short-Term Investments	1,539,165	1,531,777
Contracts Receivable	1,140,842	1,001,478
Grants Receivable	377,839	77,206
Accrued Receivables	<u>338,359</u>	<u>157,729</u>
Total Financial Assets	5,377,180	3,576,754
Less Amounts Not Available To Be Used Within One Year:		
Board Designated Operating Reserve	<u>(737,437)</u>	<u>-</u>
Total Financial Assets Available To Meet General Expenditures Within One Year	<u>\$4,639,743</u>	<u>\$3,576,754</u>

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

*(Continued)*

NOTE 13 *(Continued)*

As part of the Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs the Center has Board-Designated reserve funds that, while the Center does not intend to spend these for general operating purposes within the next year, these amounts could be made available for current operations, if necessary.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Center considers all expenditures related to its ongoing activities of research programs as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 14 RESTATEMENT OF OPENING NET ASSETS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. The ASU implemented a new comprehensive revenue recognition model that requires an organization to recognize revenue to depict the transfer of services to a customer at an amount that reflects the consideration it expects to receive in exchange for those services. In applying the recent guidance, the Center reviewed and updated its policies to recognize license revenue ratably over the period of the license in accordance with the new guidance. The Center has restated its opening net assets to implement the new revenue recognition model as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u> <u>Net Assets</u>
Net Assets as of January 1, 2019	\$2,476,303	\$380,248	\$2,856,551
Restatement of Deferred Revenue	<u>(85,818)</u>	<u>-</u>	<u>(85,818)</u>
Net Assets as Restated as of January 1, 2019	<u>\$2,390,485</u>	<u>\$380,248</u>	<u>\$2,770,733</u>

NOTE 15 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through June 4, 2021, the date which the financial statements were available for issue, and noted no events which met the disclosure criteria.