

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

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2019**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581  
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**STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.**

**REPORT ON FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 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

YEAR ENDED DECEMBER 31, 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 statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 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.

**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  
July 1, 2020

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

**ASSETS**

CURRENT ASSETS:

Cash	\$ 808,564
Short-Term Investments	1,531,777
Contracts Receivable	1,001,478
Grants Receivable	77,206
Accrued Receivables	157,729
Prepaid Expenses	40,402
Total Current Assets	<u>3,617,156</u>

PROPERTY AND EQUIPMENT, NET

27,894

TOTAL ASSETS

\$ 3,645,050

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 322,453
Accrued Vacation and Payroll Expenses	224,383
Deferred Revenue	430,928
Total Current Liabilities	<u>977,764</u>

NET ASSETS:

Net Assets Without Donor Restrictions	2,503,946
Net Assets With Donor Restrictions	163,340
Total Net Assets	<u>2,667,286</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 3,645,050

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<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 AND RECLASSIFICATIONS:</u></b>			
<i>Support and Revenues:</i>			
Contract Revenue	\$ 4,210,753	\$ -	\$ 4,210,753
Grant Revenue	423,313	517,884	941,197
License Revenue	275,331	-	275,331
Investment and Interest Income	29,862	-	29,862
Sublease Income	18,800	-	18,800
Miscellaneous Income	5,125	-	5,125
Total Support and Revenues	4,963,184	517,884	5,481,068
 <i>Reclassification of Net Assets- Released from Restriction:</i>			
Satisfaction of Time and Purpose Restrictions	734,792	(734,792)	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</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	4,280,868	-	4,280,868
Administrative	692,539	-	692,539
Development	432,136	-	432,136
Total Functional Expenses	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>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>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>2,390,485</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>\$ 2,503,946</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, 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><u>Personnel and Related Expenses :</u></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><u>Other Expenses :</u></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 Other 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.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$ (103,447)
<i>Adjustments to Reconcile the Above to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Depreciation Expense	14,738
Investment Income	27,157
<i>(Increase) Decrease in Current Assets:</i>	
Contracts Receivable	(18,472)
Grants Receivable	(2,287)
Accrued Receivables	99,376
Prepaid Expenses	(1,397)
<i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	120,608
Accrued Vacation and Payroll Expenses	(17,769)
Deferred Revenue	140,057
Net Adjustment	<u>362,011</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

**258,564**

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Short-Term Investments	(1,308,992)
Proceeds from Sale of Equipment	1,789
Net Cash Flows from Investing Activities	<u>(1,307,203)</u>

**NET DECREASE IN CASH BALANCES**

**(1,048,639)**

**CASH BALANCES - BEGINNING OF YEAR**

**1,857,203**

**CASH BALANCES - END OF YEAR**

**\$ 808,564**



STOCKHOLM ENVIRONMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 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, 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.

**Fair Value of Financial Instruments:**

The Center reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Center's financial statements is the recurring measurement of its Short-Term Investments (*see page 8*). There have been no changes to this valuation methodology.

**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 may include funds which represent resources designated by the Board of Directors for specific purposes.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

NOTE 3 (Continued)

*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, 2019, all receivables were considered fully collectible; accordingly, there is no provision for uncollectible receivables and there was no bad debt expense for the year 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 year presented, the Center did not report any bad debts on uncollectible contract receivables.

*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, 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 year presented, the Center did not report any losses on unpaid grant commitments.

**Accrued Receivables:**

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

**Short-Term Investments:**

The Organization maintains 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 valued within Level 1 of the fair value hierarchy. 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.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

NOTE 3 (Continued)

**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 Statement 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 Statement of Financial Position.

**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 Organization 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. Contributions of assets other than cash are reported at their estimated fair value. 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.

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 restriction expires, 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.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

*(Continued)*

NOTE 3     *(Continued)*

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.

**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, 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, 2019

(Continued)

NOTE 5 DEFERRED REVENUE FROM CONTRACTS AND LICENSE AGREEMENTS

For the year ended December 31, 2019, deferred revenue from contracts and WEAP and LEAP license agreements is as follows:

	<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	<u>\$ 259,196</u>	<u>\$ 171,732</u>	<u>\$ 430,928</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

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 \$734,792 for the year ended December 31, 2019.

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 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, 2020.

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

As of December 31, 2019, 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, 2020	\$182,611	\$10,800	\$171,811
December 31, 2021	132,640	-	132,640
December 31, 2022	<u>61,530</u>	<u>-</u>	<u>61,530</u>
Total	<u>\$376,781</u>	<u>\$10,800</u>	<u>\$365,981</u>

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

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 year ended December 31, 2019, the Center made contributions to the plan totaling \$111,012. 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 loss totaled \$178,972 for the year ended December 31, 2019.

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, 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 \$1,031,777.

**Contract Revenue and Contracts Receivable:**

Revenue agreements with SEI Global represent approximately 37% of total *Contract Revenue* and 49% of *Contract Receivables* as of and for the year ended December 31, 2019.

**Grants Receivable:**

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

NOTE 11    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, 2019, or its changes in net assets for the year then ended.

STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

*(Continued)*

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 year ended December 31, 2019, *Contract Revenue* includes \$1,557,486 from SEI Global of which amount, \$494,436 is included in *Contract Receivable*. For the year ended December 31, 2019, *Professional and Consulting Fees* includes agreements with SEI Global totaling \$68,891, of which amount, \$55,000 is included within *Accounts Payable and Accrued Expenses*.

NOTE 13    LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Center's financial assets as of December 31, 2019 which are 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 board has set aside the funds for a specific contingency reserve or a long-term investment.

Financial Assets:	
Cash	\$ 808,564
Short-Term Investments	1,531,777
Contracts Receivable	1,001,478
Grants Receivable	77,206
Accrued Receivables	<u>157,729</u>
Total Financial Assets Available To Meet General Expenditures Within One Year	<u>\$3,576,754</u>

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. 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>



STOCKHOLM ENVIROMENTAL INSTITUTE U.S., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

*(Continued)*

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 July 1, 2020, the date which the financial statements were available for issue, and noted the following event which met the disclosure criteria:

**COVID-19:**

The COVID-19 pandemic has caused SEI-US to cancel travel, training and conferences. The related financial impact and duration cannot be reasonably estimated at this time.