

**SUSTAINABLE SCIENCES INSTITUTE**

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Sustainable Sciences Institute

### Report on the Financial Statements

We have audited the accompanying financial statements of Sustainable Sciences Institute (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2017, and the related Statements of Activities, Functional Expenses, and Cash Flows for the period 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 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 Sustainable Sciences Institute as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

continued

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019, on our consideration of Sustainable Sciences Institute'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 solely 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 the effectiveness of Sustainable Sciences Institute's 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 Sustainable Sciences Institute's internal control over financial reporting and compliance.

*Harrington Group*

Oakland, California

January 4, 2019

# SUSTAINABLE SCIENCES INSTITUTE

## STATEMENT OF FINANCIAL POSITION

December 31, 2017

### ASSETS

Cash and cash equivalents	\$	793,766
Accounts receivable (Note 2)		76,624
Prepaid expenses		364
Deposits		2,105
Property and equipment (Note 3)		299,341

**TOTAL ASSETS** \$ 1,172,200

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Accounts payable	\$	167,582
Accrued liabilities (Note 4)		173,223
Deferred revenues (Note 5)		332,717

**TOTAL LIABILITIES** 673,522

#### NET ASSETS

Unrestricted		498,678
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**TOTAL NET ASSETS** 498,678

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,172,200

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

# SUSTAINABLE SCIENCES INSTITUTE

## STATEMENT OF ACTIVITIES

For the period ended December 31, 2017

### REVENUE AND SUPPORT

Contracts	\$ 1,078,941
Contributions	24,052
Other income	9,781
	<hr/>

<b>TOTAL REVENUE AND SUPPORT</b>	<b>1,112,774</b>
	<hr/>

### EXPENSES

Program services	798,720
Management and general	221,190
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<b>TOTAL EXPENSES</b>	<b>1,019,910</b>
	<hr/>

<b>CHANGE IN NET ASSETS</b>	<b>92,864</b>
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<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>405,814</b>
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<b>NET ASSETS, END OF YEAR</b>	<b>\$ 498,678</b>
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The accompanying notes are an integral part of these financial statements.

## SUSTAINABLE SCIENCES INSTITUTE

### STATEMENT OF FUNCTIONAL EXPENSES

For the period ended December 31, 2017

	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 393,148	\$ 108,607	\$ 501,755
Employee benefits	92,036	14,151	106,187
Payroll taxes	3,616	6,103	9,719
Total personnel costs	488,800	128,861	617,661
Supplies	125,222	19,793	145,015
Professional fees	78,093	14,855	92,948
Postage and shipping	44,177	238	44,415
Depreciation		29,616	29,616
Occupancy	5,168	12,299	17,467
Travel	6,666	10,504	17,170
Vehicle expense	16,482	235	16,717
Telephone and communication	11,892	972	12,864
Equipment and maintenance	12,556		12,556
Fees, licenses, taxes, and bank charges	2,646	1,065	3,711
Professional development, conferences, and training	2,134	70	2,204
Printing and publications	213	1,798	2,011
Meals, entertainment, and gifts	935	611	1,546
Dues and subscription	1,185		1,185
Miscellaneous	1,138		1,138
Grant related	1,050		1,050
Insurance	363	273	636
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 798,720</b>	<b>\$ 221,190</b>	<b>\$ 1,019,910</b>

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

# SUSTAINABLE SCIENCES INSTITUTE

## STATEMENT OF CASH FLOWS For the period ended December 31, 2017

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 92,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,616
(Increase) decrease in operating assets:	
Accounts receivable	255,706
Prepaid expenses and deposits	92
Increase (decrease) in operating liabilities:	
Accounts payable	86,082
Accrued liabilities	(17,738)
Deferred revenue	3,154

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 449,776

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(112,660)</u>
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**NET CASH (USED) BY INVESTING ACTIVITIES** (112,660)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 337,116

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 456,650

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 793,766

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



# SUSTAINABLE SCIENCES INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**

Sustainable Sciences Institute (“SSI”) is a nonprofit organization headquartered in San Francisco, California with centers in Managua, Nicaragua and in Cairo, Egypt. SSI administers a variety of programs supported by federal grants, private foundations, private individual donations, and in-kind donations of time and medical/research supplies. SSI’s programs include Dengue and Influenza research in Nicaragua, and on-site training workshops, small grants and material aid in Egypt and Latin America.

SSI was founded in 1998 by Dr. Eva Harris, professor of Molecular Biology at University of California, Berkeley, School of Public Health with funding from her MacArthur Genius Fellowship, foundations, family, and friends. In 2004, SSI incorporated in Managua, Nicaragua, and in 2011, in Cairo, Egypt.

In 1988, Dr. Harris began working in war-torn Nicaragua where she observed the lack of resources available to her Nicaraguan peers and the challenges posed by poverty and suboptimal infrastructure. Despite these barriers, she successfully trained local scientists in molecular biology techniques for the diagnosis of infectious diseases. Dr. Harris partnered with like-minded scientists in the United States and abroad to teach Latin American researchers and educators and to obtain donated laboratory equipment and supplies.

Lasting partnerships were formed that developed into an important scientific resource. Since 2004, SSI, UC Berkeley and the Nicaraguan Ministry of Health have collaborated in running the Pediatric Dengue Cohort Study (“PDCS”) which follows 3,700 children at high risk for Dengue. Now the longest continuously running pediatric cohort in the world, it provides invaluable data and biological samples that inform an array of studies. For example, using the PDCS data set, researchers found important cyclic patterns in Influenza in Nicaragua. Based on these findings, in 2007, Nicaraguan and U.S. federal sources began funding an Influenza research program also involving extensive sample collection from a longitudinal cohort. Subsequently, this program expanded to include testing and analysis for other respiratory diseases in response to viral outbreaks and pandemics in 2008 and 2009. To better understand the burden of Influenza in Nicaragua and other tropical countries, the National Institute of Allergy and Infectious Diseases (NIAID) awarded SSI a direct grant (R01AI099631) to run a five-year cohort study (2012-2017).

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

continued

# SUSTAINABLE SCIENCES INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Change of Fiscal Year**

SSI changed its fiscal year-end to December 31 that resulted in the short audit being performed for the four months period ending December 31, 2017.

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SSI are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** SSI reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit SSI to expend all of the income (or other economic benefits) derived from the donated assets. SSI had no permanently restricted net assets at December 31, 2017.

#### **Cash and Cash Equivalents**

SSI has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of one year or less.

#### **Accounts Receivable**

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

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# SUSTAINABLE SCIENCES INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Concentration of Credit Risks**

SSI places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. SSI has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2017 consists of government contract receivables due from state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of SSI's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 97% of total revenue and support generated by SSI for the period ending December 31, 2017 is from government contracts.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year. SSI reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the period ended December 31, 2017, SSI did not receive donations of services that satisfy the criteria for recognition.

#### **Revenue Recognition**

Revenue from government contracts or grants is recorded to the extent of expenses incurred under the grant, unless the contract is fee-for-service. Unearned revenues are recorded as deferred revenues and are only recognized as revenues when earned.

# SUSTAINABLE SCIENCES INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### Income Taxes

SSI is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by SSI in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. SSI's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### Functional Allocation of Expenses

Costs of providing SSI's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. SSI uses direct costs to allocate indirect costs.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### Subsequent Events

Management has evaluated subsequent events through January 4, 2019, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

### 3. Property and Equipment

Property and equipment at December 31, 2017 consist of the following:

Equipment	\$ 396,838
Vehicles	<u>102,300</u>
	499,138
Less: accumulated depreciation	<u>(199,797)</u>
	<u>\$ 299,341</u>

continued

# SUSTAINABLE SCIENCES INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

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### 4. Accrued Liabilities

Accrued liabilities at December 31, 2017 consist of the following:

Accrued vacation	\$145,431
Other	<u>27,792</u>
	<u>\$173,223</u>

### 5. Deferred Revenues

Deferred revenues at December 31, 2017 consist of unearned revenues from the following funders:

Regents of the University of California, Berkeley	\$102,599
CEIRS/St. Jude	74,616
Icahn School of Medicine at Mount Sinai	60,795
Abt/CDC Infant Burden 1	58,422
Other	<u>36,285</u>
	<u>\$332,717</u>

### 6. Commitments and Contingencies

#### Obligations Under Operating Leases

SSI leases a facility under an operating lease. Future minimum payments, by year and in the aggregate, under this lease with initial or remaining terms of one year or more, consist of the following:

<u>Year ended December 31,</u>	
2018	\$28,080
2019	<u>21,060</u>
	<u>\$49,140</u>

Rent expense under operating leases for the period end December 31, 2017 was \$8,461.

#### Contracts

SSI's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, SSI has no provisions for the possible disallowance of program costs on its financial statements.

**ADDITIONAL INFORMATION**

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**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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To the Board of Directors  
Sustainable Sciences Institute

We have audited in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sustainable Sciences Institute ("SSI"), which comprise the Statement of Financial Position as of December 31, 2017, and the related Statements of Activities, Functional Expenses, and Cash Flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SSI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SSI's internal control. Accordingly, we do not express an opinion on the effectiveness of SSI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SSI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

continued

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrington Group*

Oakland, California

January 4, 2019