

SUSTAINABLE SCIENCES INSTITUTE

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE,
and
ADDITIONAL INFORMATION**

AUGUST 31, 2014

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INDEPENDENT AUDITORS' REPORT

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 August 31, 2014, and the related Statements 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 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 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 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 auditors' consider 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 August 31, 2014, 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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Sustainable Sciences Institute as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited Sustainable Sciences Institute's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2015. In our opinion the summarized comparative information presented herein as of and for the year ended August 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sustainable Sciences Institute's internal control over financial reporting and compliance.

Harrington Group

San Francisco, California
August 5, 2015

SUSTAINABLE SCIENCES INSTITUTE

STATEMENT OF FINANCIAL POSITION

August 31, 2014

With comparative totals at August 31, 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 825,907	\$ 863,662
Accounts receivable (Note 2)	46,289	77,319
Prepaid expenses	1,758	714
Deposits	1,642	705
Property and equipment (Note 3)	20,375	31,433
Total assets	<u>\$ 895,971</u>	<u>\$ 973,833</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 15,683	\$ 13,262
Accrued liabilities (Note 4)	109,893	95,536
Deferred revenue (Note 5)	460,700	312,469
Total liabilities	<u>586,276</u>	<u>421,267</u>
Net assets		
Unrestricted	225,564	499,684
Temporarily restricted (Note 7)	84,131	52,882
Total net assets	<u>309,695</u>	<u>552,566</u>
Total liabilities and net assets	<u>\$ 895,971</u>	<u>\$ 973,833</u>

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

SUSTAINABLE SCIENCES INSTITUTE

STATEMENT OF ACTIVITIES

For the year ended August 31, 2014

With comparative totals for the year ended August 31, 2013

	Unrestricted	Temporarily Restricted	2014	2013
Revenue and support				
Contracts	\$ 1,377,156	\$ -	\$ 1,377,156	\$ 1,270,547
Contributions	42,209	140,000	182,209	181,379
Other	39,795		39,795	20,431
Net assets released from program restriction	108,751	(108,751)	-	-
Total revenue and support	1,567,911	31,249	1,599,160	1,472,357
Expenses				
Program services	1,492,257		1,492,257	1,278,631
Management and general	349,774		349,774	249,718
Total expenses	1,842,031	-	1,842,031	1,528,349
Change in net assets	(274,120)	31,249	(242,871)	(55,992)
Net assets, beginning of year	499,684	52,882	552,566	608,558
Net assets, end of year	\$ 225,564	\$ 84,131	\$ 309,695	\$ 552,566

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

SUSTAINABLE SCIENCES INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended August 31, 2014

With comparative totals for the year ended August 31, 2013

	Program Services	Management and General	2014	2013
Salaries	\$ 707,540	\$ 139,915	\$ 847,455	\$ 754,788
Employee benefits	128,866	36,415	165,281	133,253
Payroll taxes	11,154	4,651	15,805	11,439
Total personnel costs	847,560	180,981	1,028,541	899,480
Supplies	275,221	15,693	290,914	224,857
Professional fees	148,302	93,115	241,417	223,274
Miscellaneous	68,523	22,824	91,347	6,283
Travel	53,622	345	53,967	54,703
Equipment and maintenance	42,398	875	43,273	14,573
Occupancy	18,677	17,266	35,943	25,373
Postage and shipping	14,707	2,634	17,341	16,328
Grant related	12,540		12,540	37,706
Depreciation		11,058	11,058	11,058
Insurance	2,038	2,860	4,898	3,726
Dues and subscription	4,232	100	4,332	5,379
Telephone and communication	2,069	1,884	3,953	3,222
Vehicle expense	1,196		1,196	1,427
Employment and recruitment	880	104	984	608
Printing and publications	292	35	327	352
Total 2014 functional expenses	\$ 1,492,257	\$ 349,774	\$ 1,842,031	
Total 2013 functional expenses	\$ 1,278,631	\$ 249,718		\$ 1,528,349

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

SUSTAINABLE SCIENCES INSTITUTE

STATEMENT OF CASH FLOWS

For the year ended August 31, 2014

With comparative totals for the year ended August 31, 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ (242,871)	\$ (55,992)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	11,058	11,058
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	31,030	(52,442)
(Increase) decrease in prepaid expenses and deposits	(1,981)	164
Increase (decrease) in accounts payable	2,421	(9,560)
Increase in accrued liabilities	14,357	60,574
Increase (decrease) in deferred revenue	148,231	(170,774)
Net cash (used) by operating activities	(37,755)	(216,972)
Net (decrease) in cash	(37,755)	(216,972)
Cash and cash equivalents, beginning of year	863,662	1,080,634
Cash and cash equivalents, end of year	\$ 825,907	\$ 863,662

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

SUSTAINABLE SCIENCES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Sustainable Sciences Institute (“SSI”) is a nonprofit organization headquartered in San Francisco, California with centers in Managua, Nicaragua and in Cairo, Egypt. The organization 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

2. Summary of Significant Accounting Policies, continued

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 program or capital 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 August 31, 2014.

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.

SUSTAINABLE SCIENCES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

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 August 31, 2014 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 53% of total revenue and support generated by SSI at August 31, 2014 represent 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 year ended August 31, 2014, 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

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.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SSI's financial statements for the year ended August 31, 2013, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through August 5, 2015, the date which the financial statements were available.

continued

SUSTAINABLE SCIENCES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment

Property and equipment at August 31, 2014 consist of the following:

Equipment	\$ 104,472
Vehicles	<u>57,021</u>
	161,493
Less: accumulated depreciation	<u>(141,118)</u>
	<u>\$ 20,375</u>

4. Accrued Liabilities

Accrued liabilities at August 31, 2014 consist of the following:

Accrued vacation	\$102,014
Other	<u>7,879</u>
	<u>\$109,893</u>

5. Deferred Revenues

Deferred revenues at August 31, 2014 consist of unearned revenues from the following funders:

International Collaborations in Infectious Disease Research	\$433,650
Other	15,488
National Institute of Health	<u>11,562</u>
	<u>\$460,700</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 consist of the following:

<u>Year ended August 31,</u>	
2015	\$ 22,853
2016	23,400
2017	23,400
2018	23,400
2019	<u>23,400</u>
	<u>\$116,453</u>

Rent expense under the operating lease for the year ended August 31, 2014 was \$27,133.

continued

SUSTAINABLE SCIENCES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

6. **Commitments and Contingencies**, continued

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.

7. **Temporarily Restricted Net Assets**

Temporarily restricted net assets at August 31, 2014 consist of \$84,131 restricted for the Hepatitis C research in Egypt.

For the year ended August 31, 2014, net assets released from program restrictions were \$108,751.

SUPPLEMENTAL SCHEDULE

SUSTAINABLE SCIENCES INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended August 31, 2014

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Contract Term</u>	<u>Program Award</u>	<u>Federal Expenditures</u>
Federal Awards					
U.S. Department of Health and Human Services ("DHHS"):					
Pass-through, The Regents of the University of California					
Excellence for Biodefense and Emerging Infectious Disease Reaseach (a)	2009-2169	93.855	5/1/13 - 4/30/14	\$ 104,504	\$ 70,002
Allergy, Immunology and Transplantation Research - International					
Collaborations in Infectious Disease Reaseach (a)	00007339	93.855	8/1/13 - 7/31/14	658,282	363,975
Allergy, Immunology and Transplantation Research - International					
Collaborations in Infectious Disease Reaseach (a)	00007339	93.855	8/1/14 - 7/31/15	639,618	90,351
St. Jude's Children's Research Hospital, Inc.	00008155	90.008	4/1/13 - 3/31/14	13,888	11,563
Sub-total pass-through, The Regents of University of California				<u>1,416,292</u>	<u>535,891</u>
Pass-through, McMaster University					
Allergy, Immunology and Transplantation Research - Dengue Population					
Genetics Program (a)	HHSN2722001000026C	93.855	8/1/12 - 12/31/13	163,522	71,467
Sub-total pass-through, McMaster University				<u>163,522</u>	<u>71,467</u>
Pass-through, Colorado State University					
Allergy, Immunology and Transplantation Research - Metabolomics-Based					
Discovery of Small Molecule Biomarkers for Noninvasive Dengue (a)	5R21 AI1000186-02	93.855	6/1/13 - 5/31/14	55,651	40,423
Allergy, Immunology and Transplantation Research - Metabolomics-Based					
Discovery of Small Molecule Biomarkers for Noninvasive Dengue (a)	R33 AI1000186-03	93.855	6/1/14 - 5/31/15	175,747	30,901
Sub-total pass-through, Colorado State University				<u>231,398</u>	<u>71,324</u>

See independent auditors' report.

continued

SUSTAINABLE SCIENCES INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended August 31, 2014

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Contract Term</u>	<u>Program Award</u>	<u>Federal Expenditures</u>
Federal Awards, continued					
Directly from Office of National Institute of Health					
Allergy, Immunology and Transplantation Research - Characterization of 3rd & 4th Dengue Virus Infections in a Pediatric Cohort Study (a)	4R01AI099631-1	93.855	6/1/13 - 5/31/14	141,160	81,821
Allergy, Immunology and Transplantation Research - Characterization of 3rd & 4th Dengue Virus Infections in a Pediatric Cohort Study (a)	4R01AI099631-2	93.855	6/1/14 - 5/31/15	149,883	51,317
Sub-total direct, National Institute of Health				<u>291,043</u>	<u>133,138</u>
Total DHHS				<u>2,102,255</u>	<u>811,820</u>
Total Federal Awards				<u>\$ 2,102,255</u>	<u>\$ 811,820</u>

(a) Audited as a major program

Summary of Significant Accounting Policies

1. Basis of Accounting - The Schedule of Expenditures of Federal Awards has been reported on the accrual basis of accounting.
2. Sustainable Sciences Institute is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

ADDITIONAL INFORMATION



Certified Public Accountants, LLP

**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***

To the Board of Directors
Sustainable Sciences Institute

We have audited in accordance with the auditing standards generally accepted in 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, the financial statements of Sustainable Sciences Institute ("SSI"), which comprise the Statement of Financial Position as of August 31, 2014, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report dated August 5, 2015.

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 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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described as item **2014-001** in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SSI's financial statements are free of 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*.

SSI's Response to Findings

SSI's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. SSI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 SSI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SSI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

San Francisco, California
August 5, 2015

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**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

To the Board of Directors
Sustainable Sciences Institute

Report on Compliance for Each Major Federal Program

We have audited Sustainable Sciences Institute ("SSI") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SSI's major federal programs for the year ended August 31, 2014. SSI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of SSI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SSI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SSI's compliance.

Basis for Qualified Opinion on CFDA 93.855 Allergy, Immunology and Transplantation Research Program

As described in items in the accompanying schedule of findings and questioned costs, SSI did not comply with the requirements regarding CFDA 93.855 Allergy, Immunology and Transplantation Research Program as described in **2014-002** for Reporting. Compliance with such requirements is necessary, in our opinion, for SSI to comply with the requirements applicable to those programs.

Qualified Opinion on CFDA 93.855 Allergy, Immunology and Transplantation Research Program

In our opinion, except for the noncompliance described in "Basis for Qualified Opinion" paragraph, SSI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on CFDA 93.855 Allergy, Immunology and Transplantation Research Program for the year ended August 31, 2014.

SSI's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. SSI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

continued

Report on Internal Control Over Compliance

Management of SSI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SSI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SSI's internal control over compliance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As discussed below, we identified other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in SSI's internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2014-001** to be a significant deficiency.

SSI's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. SSI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harrington Group

San Francisco, California
August 5, 2015

SUSTAINABLE SCIENCES INSTITUTE
Schedule of Findings and Questioned Costs
For the year ended August 31, 2014

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Identification of Major Programs:

U.S. Department of Health and Human Services:	
Allergy, Immunology and Transplantation Research	93.855

Section II – Financial Statements Findings

2014-001 Fixed Assets Schedule Not Being Maintained

Criteria: A detailed fixed assets schedule should be maintained and reconciled to the fixed assets listing.

Condition: During the audit, we noted that SSI did not maintain a detailed fixed assets schedule. Therefore, sufficient controls do not exist to keep track of each addition, deletion, and each asset’s respective balance after accumulated depreciation.

Effect: The absence of fixed asset schedule could result in improper capitalization and erroneous balance on the financial statements.

Cause: Lack of management oversight over fixed assets.

Recommendation: We recommend that management perform an annual physical inventory of its property and equipment and reconcile the results to the fixed assets listing and to the general ledger.

SUSTAINABLE SCIENCES INSTITUTE
Schedule of Findings and Questioned Costs
For the year ended August 31, 2014
continued

Section II – Financial Statements Findings, continued

Management Response and Proposed Corrective Action Plan: In the past, SSI expensed 100% of its fixed asset allocations under each program as required by its contracts and subawards. Even though we didn't recognize these assets in the Balance Sheet, we have always kept a fixed assets inventory for the assets residing in the Nicaraguan sites and in the San Francisco office, with yearly updates with a physical inventory. The corrective action we will take will be to recognize the existing fixed asset balances in the Balance Sheet along with their related accumulated depreciation. We will adjust the fixed asset acquired cost account by including all the acquired assets for the fiscal year. We will adjust the accumulated depreciation account, and the related depreciation expense account, by performing a physical inventory of all assets.

SSI engaged Harrington Group in July 2014 to audit FY 2013-14. At this time, Harrington Group discovered that SSI required audits for all fiscal years going back to 2010-2011. In the process of conducting these back audits, Harrington Group made the findings described in this report and informed SSI in the Spring of 2015. SSI corrected the issues when it learned of the findings, i.e. in March 2015.

Section III – Federal Award Findings and Questioned Costs

2014-002 Late Filings

Criteria: As outlined in OMB Circular No. A-133, *Audits of States, Local Government, and Non-Profit Organization*, SSI is required to file its audit reports and data collection form within nine months after the fiscal period ended August 31, 2014.

Condition: SSI did not file its audit reports and data collection form within nine months after the fiscal period ended August 31, 2014.

Effect: Noncompliance with Federal regulation.

Cause: Lack of adequate identification and monitoring of the agency's Federal awards to ensure proper reporting.

Recommendation: We recommend that SSI complete and submit its audit and data collection form to the Federal Audit Clearing House within the time frame prescribed by OMB Circular No. A-133, *Audits of States, Local Government, and Non-Profit Organization*.

Management Response and Proposed Corrective Action Plan: As SSI's federal funding has increased, SSI hired a dedicated Grants Manager who has been working with the audit team and attending federal trainings to improve understanding of federal compliance requirements and tracking of reporting requirements. After completion of this first A-133 audit, SSI fully expects to be caught up with all audit and reporting requirements that previously went unrecognized, and will ensure that future reports are filed in a timely fashion.

SUSTAINABLE SCIENCES INSTITUTE
Schedule of Findings and Questioned Costs
For the year ended August 31, 2014
continued

Section IV – Summary Schedule of Prior Year Findings

2013-001 Fixed Assets Schedule Not Being Maintained. A detailed fixed assets schedule was not maintained and reconciled to the fixed assets listing by SSI, which could result in improper capitalization and erroneous balance on the financial statements.

Current Status. We noted that this finding has not been corrected and is reflected as **2014-001** in the current year.

2013-002 Employee Personnel Files. Contrary to the provisions of the Immigration and Nationality Act of 1952 which stipulates that employers may hire only persons who may legally work in the United States (i.e. citizens and nationals of the U.S.) and aliens authorized to work in the U.S. and that such employers must verify the identity and employment eligibility of anyone hired, which includes completing the Employment Eligibility Verification Form (I-9) no later than the first day of employment of all hired employees, we noted that two of the employee files that were reviewed did not have any I-9s prepared and filed.

Current Status. We noted that this finding has been corrected.

2013-003 Late Filings. SSI did not file its audit reports and data collection form within nine months after the fiscal period ended August 31, 2013 in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Current Status. We noted that this finding has not been corrected and is reflected as **2014-002** in the current year.