



ANNUAL REPORT



2016

# MOVING THE MARKET



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## *MOVING the Market*

The majority of investors want to account for environmental, social, and governance (ESG) issues when making investment decisions. And, today's companies want to increasingly acknowledge that ESG risks and opportunities impact financial performance. But both sides need better information in order to make better decisions. SASB is the only solution designed to fill this communication gap in a way that's cost-effective for companies and decision-useful for investors.

SASB is moving the market toward a new understanding of the financial impact of sustainability factors. Alongside companies, investors, accountants, lawyers, regulators, and others, we're helping market infrastructure evolve to meet the needs of the world we live in today. This movement has been both exciting and daunting. We face new challenges every day, but we remain committed to our role in moving the market forward. Together, we're working to help disclosure evolve. **Sustainability standards will improve the efficiency of our markets by helping investors better price risk and opportunity.**

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## *REALIZING the SASB Mission*

The mission of SASB is to maintain sustainability accounting standards that help public corporations disclose material, decision-useful information to investors in a cost-effective manner, in mandatory filings such as the SEC Form 10-K and 20-F.

That mission is accomplished across 79 industries through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.

More than ever, investors want to direct capital to more sustainable outcomes. **To do so in a rigorous and scalable way, investors need data that is relevant, reliable, and comparable. This is the vision SASB is working to achieve.**



## LETTER from the SASB Founder

At SASB, we believe material sustainability information is the right of every investor, and that standards are the basic market infrastructure required to yield this data. When markets have good information, they act on it. We recognize the power of the markets and our role in moving capital the way investors want it to move.

Moving the markets is an ambitious task. It requires mobilizing companies, investors, lawyers, accountants, and others to work toward a shared vision. It requires building a body of shared knowledge in an emerging field. And it requires fostering the connections that spark collaboration, learning, and growth. On the following pages, we'll show you how SASB moved the markets in 2016. We refined our standards by consulting with hundreds of companies as we marched toward codification. We mobilized the investor voice by building a powerful group of asset owners and asset managers. We strengthened market resources, such as the SASB Navigator and FSA Credential, and launched new ones, such as the SASB Library and Symposium. These accomplishments demonstrate SASB's commitment to moving the market forward.

In 2017, we adopted a new two-tier governance model that will enable us to best accomplish our vision. As described on pages 24 – 25, in the new model a 501(c)3 organization called The SASB Foundation, which is responsible for governance and fundraising, delegates authority for standards setting to the SASB, a newly appointed Standards Board. To support this new structure, we've made some leadership transitions. I now serve as the full-time Chair of the SASB, and Matthew Welch, Former COO of SASB, is now President of The SASB Foundation. I look forward to partnering with Matthew to accomplish our respective missions of maintaining world-class standards and moving the markets towards improved sustainability disclosure.

We believe that better sustainability disclosure helps investors make better decisions. And we recognize that companies need a cost-effective way to disclose sustainability information in a manner that's useful to investors. To move the markets and to reap the benefits, we must continue to hone the standards to yield material information. Our work has come a long way since our founding in 2011, but the journey isn't over. SASB is enabling markets to do what they do best— efficiently allocate capital to the most sustainable outcomes. With your support, we are getting closer to that vision each year.

**Jean Rogers, PhD PE**

SASB Founder & Chief Executive Officer, 2011-2017  
Chair of the SASB Standards Board, 2017-



“

SASB is helping markets to do what they do best — efficiently allocate capital to the most sustainable outcomes.”

*Jean Rogers*

Chair of the SASB Standards Board





“

We're seeing from the investor and analyst communities a demand for information that's backed by actual data. They want it to be comparable and reliable across businesses, or across companies within an industry. And they want it to be materiality focused, so that it's decision-useful.”

**Mary Schapiro**

Former Chairman of the U.S. Securities & Exchange Commission



“

Today's investors need to deal with information overload. SASB standards and the SASB materiality map provide a framework for separating the noise from the information, and focusing on what matters.”

**Dan Hanson**

Partner, Jarislowsky Fraser Global Investment Management & Lecturer, UC Berkeley Haas

## CREATING the Market Standard

Sustainability issues manifest differently from one industry to the next. That's why SASB takes an industry-specific approach to sustainability accounting. The ability to characterize the unique sustainability profile of each sector and industry is driven by the legal concept of materiality. Materiality enables us to bring sustainability risks and opportunities into sharper focus for companies and their investors.

In April 2016, we completed issuing provisional standards for 79 industries across 10 sectors. As we undertake the process of codifying the standards, our vision of financial and sustainability fundamentals sitting side-by-side is becoming more of a reality. As we saw in 2016, SASB's industry approach (exhibited in part in the areas delineated below) is critical to the application of SASB's standards because it makes sustainability issues actionable for the market. **Setting standards is why we exist and is what we do best.**

- Our Field Guide to SASB standards presents a birds-eye view of SASB topics and the breadth of unique sustainability profiles across our 79 industry standards. The Field Guide identifies specific SASB topics and metrics with associated links to value drivers and financial impact on an industry-by-industry basis. It also shows each industry's exposure to risk, and where that risk is likely to be uncompensated due to inadequate disclosure in mandatory SEC filings.
- Our Sustainable Industry Classification System™ (SICS™) is the innovation upon which SASB standards are built. SICS is unique in three ways:
  1. It arranges industries based on the similarity of companies' sustainability challenges and innovation opportunities, rather than on traditional financial considerations.
  2. It surfaces industries with great innovation potential in terms of addressing sustainability challenges, without regard to the market cap of currently listed companies.
  3. It shows impacts of sustainability risks on specific industries and identifies cross-cutting sustainability issues, and consequently, where they may be over or underexposed. With SICS, investors can make better-informed investment decisions, perform peer-to-peer comparisons, and establish benchmarks by categorizing companies that share similar resource intensity, as well as sustainability risks and opportunities.

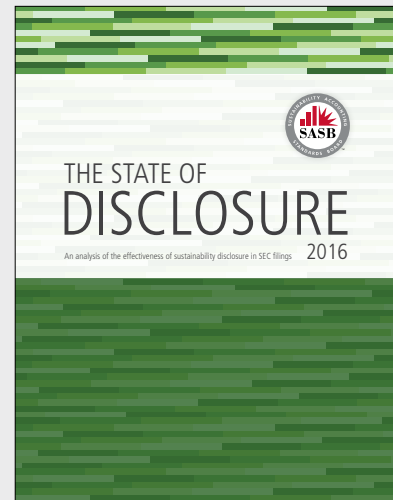


## ILLUMINATING the State of the Market

For the first time, we have a baseline of sustainability disclosure in SEC filings that will allow us to see progress over time. In SASB's inaugural State of Disclosure Report, we present a detailed review and analysis of current sustainability disclosures in hundreds of SEC filings across every industry. By identifying the gaps in disclosure, as well as needed improvements in the quality of disclosure, the report helps investors identify unpriced risk in their portfolios. It's intensive, proprietary research that no one else has and it serves as the market's yardstick for measuring disclosure for years to come.

The good news is that companies are increasingly recognizing the risks and opportunities involved in managing material sustainability issues. But they're still struggling to communicate them effectively to investors. **Illuminating the current state disclosure reveals that better disclosure is needed, not more disclosure.**

- Our first step into the world of machine learning, SASB's Disclosure Intelligence Tool (available in the redesigned Standards Navigator) uses artificial intelligence technology to assess the sustainability disclosure in SEC filings of over 75% of the approximately 5,500 companies listed on the NYSE and Nasdaq exchanges. It's data and analytics you can't get anywhere else.



### 2016 STATE OF DISCLOSURE REPORT BY THE NUMBERS

- 69% reported on at least three-quarters of SASB topics, and 38% reported on every SASB topic in their industry standard. This shows that companies acknowledge the existence of, or the potential for, material impacts related to these issues.
- However, 53% used generic, boilerplate language, which is inadequate for investment decision-making.
- Less than 24% used metrics; of those that did, the metrics were non-standardized, making it impossible to compare against industry peers.
- There's an opportunity to improve the effectiveness of sustainability disclosure in SEC filings.

“

SASB's initial annual disclosure findings provide a reason for optimism, because they suggest that companies increasingly recognize the risks and opportunities involved in managing and disclosing material sustainability issues. However, the findings also make clear that companies continue to struggle to communicate these issues effectively to their investors.”

**Alan Beller**  
Senior Counsel, Cleary Gottlieb Steen & Hamilton



“

A great example of SASB's innovation and intellectual curiosity is seen in our disclosure intelligence tool. We continue to invest in developing machine learning based algorithms to better identify and analyze sustainability disclosures in SEC filings and detect year-over-year trends and patterns in sustainability disclosures.”

**Madhu Mathew**  
Director of Technology, The SASB Foundation





“

Top investment managers and plan sponsors are working in SASB's Investor Advisory Group to encourage companies to participate in SASB's standards-setting process and disclose material ESG information. It is critical for investors to have standardized, comparable information on material ESG factors so we can make better decisions about our investments into the future.”

**Christopher Ailman**

Chief Investment Officer of CalSTRS and Chair of SASB's Investor Advisory Group (IAG)

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## *SURFACING the Demand of the Market*

Investor demand for better sustainability information continues to grow. In April 2016, the SEC issued a concept release on Regulation S-K, inviting feedback on a range of issues related to disclosure, including sustainability disclosure. While just 3% of last year's concept release discussed sustainability, 66% of the non-form letter responses discussed sustainability disclosure, and 85% of those letters called for improved disclosure of sustainability factors in SEC filings.

More than ever, investors acknowledge that sustainability factors can impact a company's ability to manage risk and deliver financial performance over the long term. But investors need information they can act on – information that is material, rigorous, reliable, and comparable. This quality of information is only attainable via a market standard, and SASB is that market standard. According to a 2016 PwC survey, 43% of institutional investors said they would like to see ESG information reported using SASB as the standard.

Investors play an important role in making that market standard a reality. SASB's new Investor Advisory Group (IAG), comprising leading asset owners and asset managers, is committed to improving the quality and comparability of sustainability-related disclosure. **Articulating investor demand accelerates market uptake of SASB standards.**

SASB's IAG members recognize the need for consistent, comparable, and reliable disclosure of material and decision-useful ESG information. As per their collective statement, IAG members:

- Encourage companies to disclose material and decision-useful ESG information to investors
- Believe standards will improve the quality and comparability of sustainability-related information
- Believe SASB's industry-specific and materiality-focused approach will help get this information into investment platforms with higher quality, more usability, and reduced costs
- Agree to participate in SASB's ongoing standards-development process so that outcomes best reflect investor needs
- Agree to encourage companies to participate in SASB's ongoing standards-development process, so that outcomes reflect both issuer and investor viewpoints
- Believe SASB standards can inform integration of sustainability factors into investment and/or stewardship process, such as corporate engagement and proxy voting

SASB published ESG Integration Insights, a collection of case studies featuring IAG members, to advance the practice of incorporating ESG factors into investment decision-making. These different types of investors are using SASB standards and tools to inform their investment decisions across asset classes using a variety of investment strategies.

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IAG members believe that SASB's approach will help investors play an important role in enhancing disclosure effectiveness, by expecting companies to disclose performance on material ESG factors and participating in the development of disclosure standards.”

**Janine Guillot**

Director of Capital Markets Policy & Outreach, SASB

## ENGAGING with the Market

Creating standards that deliver material sustainability information isn't possible without market feedback and involvement. That's why, from the beginning, companies and investors have driven SASB's standards-setting process. It's also why we transitioned our team from generalist researchers to dedicated sector analysts.

Immersed in ESG issues, SASB analysts forge deep relationships in their sectors. In 2016, SASB entered a period of deep consultation on the provisional standards to gather additional input regarding the materiality of topics and usefulness of the metrics prior to codification. To encourage participation in the codification process, our Chair Michael Bloomberg and Vice Chair Mary Schapiro sent a letter to each Fortune 500 CEO and CFO, urging them to take a seat at the table. Our Investor Advisory Group (IAG) has also worked to bring companies into the consultation process. Engaging with stakeholders ensures SASB's standards are truly for the market, by the market.

- Every day, our sector analysts gather evidence, conduct consultations, and back-test analytics – helping issuers and investors navigate the labyrinth of materiality and put materiality into practice. In 2016, they:
  - Targeted nearly 350 companies, totaling approximately \$17T in market cap, for consultation across all sectors
  - Engaged with 235 of these companies (\$12.4T), 151 (\$7T) directly and 84 (\$5.4T) indirectly
- The consultation phase was a continuation of the engagement started during the provisional phase. SASB's industry working groups comprised more than 2,800 participants, representing \$23.4T in assets under management, and \$11T in market capitalization. The participation breakdown was 31% corporate professionals, 31% investors, and 37% intermediaries.

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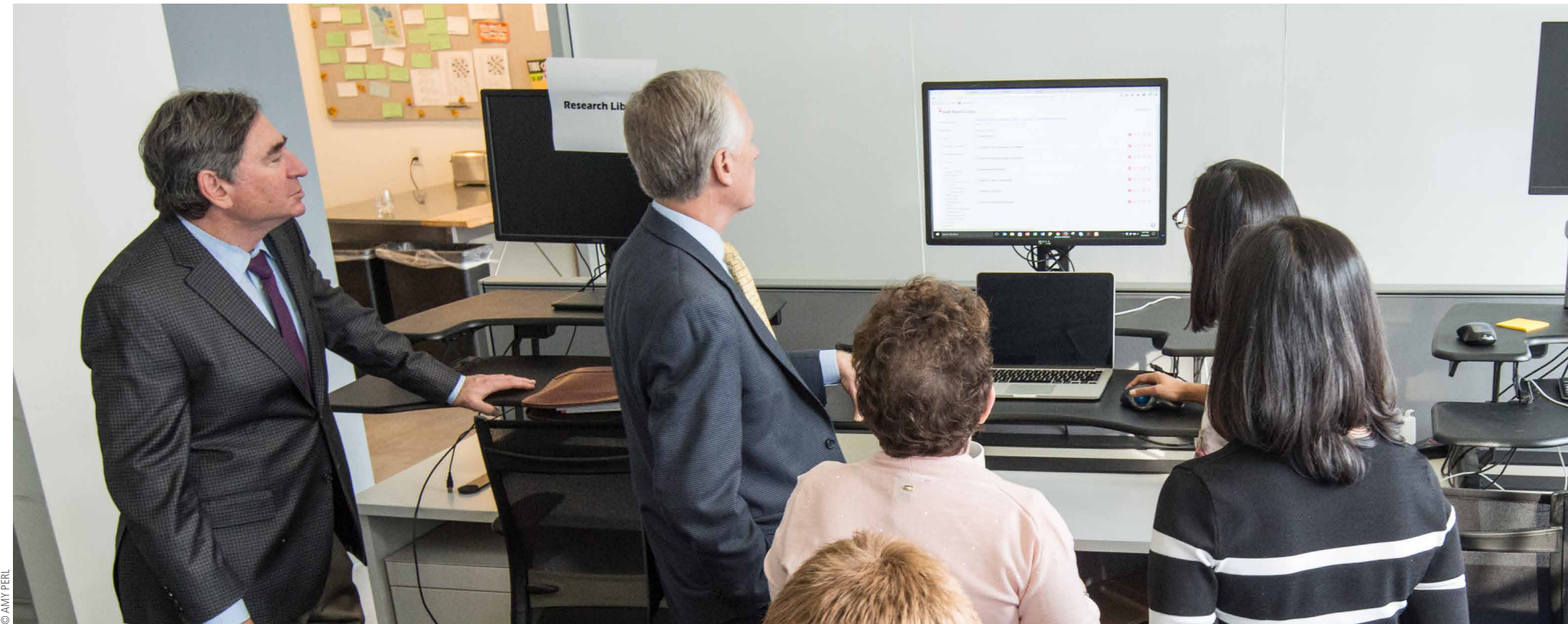
I have the privilege of working closely with the corporate and investment communities to focus on what really matters to both sides, and to establish a common language for the reporting of material ESG opportunities and risks.”

**Bryan Esterly**  
Sector Analyst, SASB

“

As the intermediary between investors and corporations, we strive to set standards that provide a more complete picture – promoting market efficiency as well as better environmental and social outcomes.”

**Nashat Moin**  
Sector Analyst, SASB



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“

Engaging in deep conversations with issuers and investors have brought our standards' issues and metrics to life, highlighting the real challenges and opportunities for companies and investors posed by the management of material sustainability factors.”

**David Parham**  
Sector Analyst, SASB



“

The FSA Credential attracts people with various professional backgrounds who not only seek to learn more about sustainability accounting, but who are inspired by the vision of material, industry-specific, and comparable information integrated throughout the capital markets.”

**Nicolai Lundy**

Director of Education and Partnerships, The SASB Foundation



“

Your educational program is a game changer, and I am proud to be part of it.”

**FSA credential-holder Luca Grassadonia, CFA**

Senior Partner, Koine S.r.l.

## THE FSA CREDENTIAL

### Our Candidates

400+ have signed up for Level I  
100+ have earned FSA credential  
22 countries are represented  
50% are 10+ years into their career

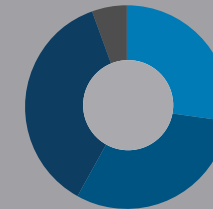
### Pass Rates

Level I 80%  
Level II 65%

### Creating a Common Language About Sustainability and Materiality

Over 1/2 have either

CFA **17%**  
CPA **15%**  
MBA **20%**  
or JB **3%**



### Top Three Test-Taker Job Roles

1. Investors
2. Consultants
3. Corporate Sustainability Professionals

## EDUCATING the Market

It's a challenging task to educate the market on the materiality of sustainability information—this work lies at the complex intersection of sustainability, finance, accounting, and law. To support this multidisciplinary education, we've invested in developing and sharing a variety of resources.

Education removes the barriers to the adoption of the standards. At SASB, we're learning every day and we're committed to helping others – from seasoned professionals to next generation leaders – do the same. Educating stakeholders on the materiality of sustainability information ultimately accelerates better disclosure.

- The Fundamentals of Sustainability Accounting (FSA) Credential teaches professionals how to identify, quantify, communicate, and analyze material sustainability data, helping create a common language about sustainability and materiality.
- Our awareness campaigns and op-eds help readers better understand the link between sustainability issues and financial performance.
- The ever-expanding SASB Library puts a variety of sustainability accounting guides, technical bulletins, reports, and other useful insights at the market's fingertips, enabling visitors to check out publications with ease.

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SASB has created a training structure for modern professionals seeking more valuable ways to organize business data in the current economic context. The FSA Credential represents an opportunity for innovators to master this content. In my view, those professionals who are able to command this material will create a competitive advantage for themselves and their organizations.”

**Dylan Brix**

ESG Analyst at The Sustainability Group at Loring, Wolcott & Coolidge Trust



# RAISING AWARENESS of the Market

SASB standards give companies and investors a common lens for assessing material risks, letting the smart money go to the smartest companies. Our 2016 awareness campaign drove that message home. The series of eight thought-provoking images leveraged print and digital platforms to reach investors, CEOs, CFOs, and corporate boards. Raising market awareness fuels interest in and demand for our standards.



**Smart money  
sees both.**



For restaurant chains, even minor health scares can take a huge bite out of the bottom line. SASB standards give companies and investors a common lens for assessing material risks and opportunities, letting the smart money go to the smartest companies.

Learn more about how Standard SV0203-05\* impacts business at [sasb.org/bothsides](http://sasb.org/bothsides)

\*Percentage of restaurants inspected by a food safety oversight body, percentage receiving critical violation





## Smart money sees both.

For pharmaceutical companies, the rise of counterfeit drugs can cause deaths and cripple even the healthiest bottom line. SASB standards give companies and investors a common lens for assessing material risks and opportunities, letting the smart money go to the smartest companies.

Learn more about how Standard HC0102-20\* impacts business at [sasb.org/bothsides](https://sasb.org/bothsides)

\*Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting





## CONVENING *the Market*

As SASB sits at the unique convergence of sustainability, finance, law, and accounting, we play a singular role in convening the professionals interested in this intersection. Interest in this field is only growing, and that was evident at SASB's inaugural symposium, a sold-out event in New York City. The symposium brought together elite speakers and like-minded professionals to explore practical questions about the materiality of sustainability information and its relevance

to the capital markets. The symposium will continue to grow over time, creating an annual touch point for professionals dedicated to advancing sustainability accounting.

The packed room and stimulating discussion left no room for uncertainty: the movement is gaining momentum. Convening the market connects and energizes the movement for better sustainability disclosure.



“

Over the years, a growing group of people have realized a future state of improved sustainability disclosure that's possible with SASB standards. By bringing this diverse set of professionals together, we can foster the conversation and connections that accelerate our journey towards this vision.”

**Amanda Medress**  
Director of Communications, The SASB Foundation

“

It is exactly this kind of collective, collaborative effort that has characterized much of the significant progress our financial markets have made throughout history, and we hope to extend that tradition to the realm of sustainability reporting. SASB has brought us much closer to that goal; it is a shining example of what stellar results can be obtained when a group of smart, dedicated people come together.”

**Elisse Walter**  
Former Chairman & Commissioner, Securities and Exchange Commission



## CREATING an Enduring Institution for the Market

A robust due process is the most important asset of any standards-setting institution. To strengthen our due process, in April 2017 SASB transitioned to a two-tier governance structure that separates fiduciary duty from standards-setting activities. This additional layer of governance helps ensure the independence and rigor of SASB's standards-setting process.

As we move toward codification of SASB's standards in 2017, we're on the cusp of transforming the course of our capital markets. And as the markets embrace the need for a standard, we will continue to earn our place as the solution. Creating an enduring institution ensures the standards continue to support the needs of the capital markets for material information.

- In SASB's new governance model, The SASB Foundation is responsible for finances and governance. The Foundation delegates authority for standards-setting to the SASB, a newly appointed technical board.
- In 2017, we released the final SASB Rules of Procedure and the SASB Conceptual Framework, two foundational documents that establish the principles and processes of SASB's approach to standards development:
  - SASB Conceptual Framework sets out the basic concepts, principles, definitions, and objectives that guide SASB in our approach to setting standards
  - SASB Rules of Procedure establish the processes and practices followed by SASB in our standards-setting activities, and in our governance and oversight of related processes and practices undertaken by staff

“

SASB's Conceptual Framework is our North Star, establishing the guiding principles of standards setting. The Rules of Procedure are the course we will follow to develop credible, robust, standards worthy of the reliance of the capital markets.”

**Jean Rogers**  
Chair of the SASB Standards Board

### SASB STANDARDS BOARD

**Jean Rogers – Chair**  
Founder & Chair of the SASB Standards Board, SASB

**Jeffrey Hales, PhD – Vice Chair**  
Professor, Georgia Institute of Technology, Ernest Scheller Jr. College of Business

**Verity Chegar**  
Vice President and ESG Strategist, BlackRock

**Daniel (Dan) L. Goelzer**  
Senior Counsel, Baker & McKenzie LLP

**Robert B. Hirth, Jr.**  
Chairman, Committee of Sponsoring Organizations of the Treadway Commission (COSO), Senior Managing Director, Protiviti

**Kurt Kuehn**  
Former CFO, UPS

**Lloyd Kurtz, CFA**  
Senior Portfolio Manager, Head of Social Impact Investing, Wells Fargo Private Bank

**Elizabeth Seeger**  
Director, KKR

**Stephanie Tang, JD**  
Senior Corporate Counsel and Assistant Corporate Secretary, the Clorox Company

“

With this new governance structure, the authority for SASB's agenda and standards development rests solely with the SASB technical board, ensuring it conducts its standards-setting in an independent, objective, and thorough manner, including proactively obtaining and carefully considering stakeholder input and feedback.”

**Bob Herz**  
Former Chairman, FASB





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## *LETTER from the Chairman*

In recent decades, investors have increasingly wanted information about companies' environmental impact. But in recent years, investors are increasingly asking how the environment – and particularly climate change – could impact companies. SASB is helping to provide this and other critical information that has often not been reported or standardized.

I've always believed that if you can't measure it, you can't manage it. To help public companies measure and manage risk and improve decision-making, SASB has created standards for disclosing information on a range of critical sustainability issues. To create these standards, we sought input from the people who know these issues best, by inviting every Fortune 500 CFO to share their insights.

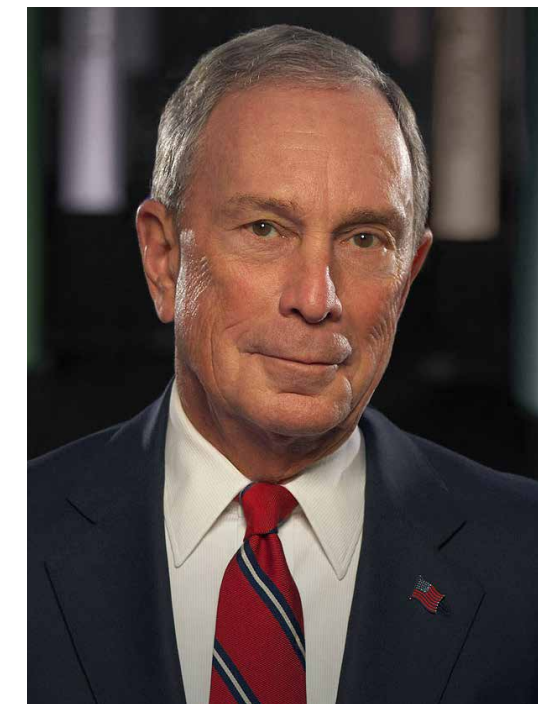
SASB is helping make sustainability disclosure easier, more meaningful, and standardized across companies and industries. This helps investors to compare apples to apples when making decisions about how to allocate capital. It also gives companies the tools they need to better comply with existing regulations, measure their own performance against others, and take steps to address vulnerabilities.

The demand for sustainability disclosure is rising. SASB standards are helping to meet that demand, and by doing so, helping to make markets more efficient and companies more productive.

Sincerely,



**Michael R. Bloomberg**  
Chair, The SASB Foundation Board of Directors



“  
SASB is helping make sustainability disclosure easier, more meaningful, and standardized across companies and industries.”

*Michael R. Bloomberg*  
Chair, The SASB Foundation Board of Directors



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## THE SASB FOUNDATION BOARD OF DIRECTORS (2016)

### Michael R. Bloomberg – Chair

Philanthropist, Founder of Bloomberg LP, and the 108th Mayor of New York City

### Mary Schapiro – Co-Vice Chair

Promontory Advisory Board Vice Chair  
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### Robert K. Steel – Co-Vice Chair

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Morgan Stanley

### Jack Ehnes

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### Dan Hanson, CFA

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Former Chairman – FASB

### Robert B. Hirth, Jr.

Chairman – Committee of Sponsoring Organizations  
of the Treadway Commission (COSO)  
Senior Managing Director, Protiviti

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### Shawn Lytle

President – Delaware Management Holdings, Inc.

### Ken Mehlman

Member & Global Head of Public Affairs – KKR

### Clara Miller

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### Catherine Odelbo, MBA

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### Kevin Parker

CEO – Sustainable Insight Capital Management (SICM)

### Aulana Peters, JD

Former Commissioner – SEC

### Arnie Pinkston, JD

General Counsel – Allergan (Retired)

### Curtis Ravenel

Global Head, Sustainable Business and Finance –  
Bloomberg LP

### Jean Rogers, PhD, PE

Chief Executive Officer & Founder – SASB (Ex-officio)

### Laura Tyson

Director, Institute for Business and Social Impact –  
Berkeley Haas School of Business

### Elisse Walter, JD

Former Chairman – SEC

### Edward D. White, JD

Managing Partner – Fahr LLC

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PwC  
EY



## MD&A AND FINANCIALS



## MANAGEMENT'S DISCUSSION & ANALYSIS

### 2016 SUMMARY

The Sustainability Accounting Standards Board's mission is to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors. That mission is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.

The SASB Foundation's mission is to support the work of The SASB, support SASB Alliance members, and provide the market with education and resources that advance the use of SASB standards and the field of sustainability accounting. In 2016, SASB continued to see increased demand for improved sustainability disclosure. Developments included:

- In April 2016, the SEC issued a concept release that invited feedback on a broad range of issues related to Regulation S-K, including the disclosure of sustainability information. Although just 3% of last year's concept release discussed sustainability, 66% of the non-form letters discussed sustainability disclosure, and 85% of sustainability-related letters called for improved disclosure of sustainability factors in SEC filings.<sup>1</sup>
- A 2016 study found that more than one out of every \$5 under professional management in the United States is invested based on sustainable investing strategies—an increase of 33% from just two years ago.<sup>2</sup>
- 67% of shareholder proposals in 2016 addressed environmental, social, and governance factors, up from 40% in 2011.<sup>3</sup>
- While 100% of corporates are confident in the quality of environmental, social, and governance (ESG) information they report, only 29% of investors are confident in the quality of the ESG information they receive.<sup>4</sup>

As investors call for improved sustainability disclosure, SASB is increasingly viewed as the market standard. Signs of momentum include:

- 2016 SASB research shows that 69 percent of companies are already addressing at least three-quarters of SASB disclosure topics for their industry, and 38 percent are already providing disclosure on all SASB disclosure topics.
- In 2016, SASB formed the Investor Advisory Group (IAG), which comprises 28 leading asset owners and asset managers with more than \$20T in assets, including BlackRock, CalPERS, CalSTRS, and State Street Global Advisors. The IAG believes SASB's approach will help provide investors with more decision-useful information.
- SASB's reach expanded from 2015 to 2016: Twitter followers grew 43%, media coverage grew 68%, and website page views grew 56%.
- At the end of 2016, 213 people were FSA Level II Candidates and 82 people were full FSA Credential Holders.

<sup>1</sup> SASB, Regulation S-K Staff Bulletin, <https://library.sasb.org/regulation-s-k-staff-bulletin/>

<sup>2</sup> US SIF, 2016 Report On US Sustainable, Responsible and Impact Investing Trends, [http://www.ussif.org/files/SIF\\_Trends\\_16\\_Executive\\_Summary\(1\).pdf](http://www.ussif.org/files/SIF_Trends_16_Executive_Summary(1).pdf).

<sup>3</sup> Heidi Welsh and Michael Passoff, Helping Shareholders Vote Their Values, Proxy Preview, p. 5, As You Sow (Feb. 17, 2016) – figure includes proposals focused on diversity, human rights and labor, environment, and sustainability.

<sup>4</sup> <http://www.pwc.com/us/en/governance-insights-center/publications/assets/investors-corporates-and-esg-bridging-the-gap.pdf>



## 2016 FOCUS OF WORK

SASB continues to operate against a strategic plan adopted in 2014 to guide its work through 2017. The plan establishes five goals for the organization, with several initiatives to support each:

goal <b>1</b>	Develop and maintain world-class accounting standards
goal <b>2</b>	Promote investor use of SASB standards to make decisions
goal <b>3</b>	Promote corporate use of SASB standards in SEC filings
goal <b>4</b>	Align with international efforts
goal <b>5</b>	Transition to a sustainable business model

To achieve these goals, SASB operates in three major program areas:

1. Standards Setting: the Sustainability Accounting Standards Board
2. Market Outreach & Adoption
3. Education & Resources

## 2016 RESULTS

With the Q1 release of standards for the Infrastructure sector, SASB delivered on its promise of issuing world class standards for 79 industries, covering the entirety of capital markets. The standards were developed in an extremely cost-effective manner, at \$135,000 per industry and with 12-18 months of market engagement and research underpinning each standard. The standards development team was reorganized into a team of sector analysts to engage in deep consultation with market participants on the provisional standards and prepare for 2017 codification of the standards.

In addition to the sector analysts' outreach to market participants, market adoption goals were advanced through the Market Outreach group's formation of an Investor Advisory Group (IAG). The organization recruited 24 major asset owners and managers who agreed to work with SASB to advocate for a market standard for sustainability disclosure. IAG members used their market position to ask companies to participate in the standards consultation process.

The organization launched several new products in both education and resources categories, growing earned income from \$85K in the prior year to \$396K in 2016 sales. FSA Level 2, the Publications Library, the inaugural SASB Symposium, and the Navigator launched in the last part of the year and are expected to contribute to increased sales in 2017.

As in 2015, the organization faced uncertain cash flows. While earned income increased from \$85K to \$397K in sales, it remained a small portion of the organization's funding (5%). Grant collections were significantly less than budgeted, and a loan of \$1M was needed to fund operations. The organization ended the year with a \$1.2M cash balance (offset by \$460K in Accounts Payable obligations) and funding commitments for 31% of the 2017 budget.

## 2016 REVENUE: SALES OF EARNED INCOME PRODUCTS

	2016 Sales
<b>Education</b>	<b>\$312,733</b>
FSA Exam (Levels I & II)	\$128,713
Publications	\$4,920
SASB Symposium	\$179,100
<b>Partnerships/Resources</b>	<b>\$83,904</b>
Navigator	\$13,000
Licensing Partnerships	\$70,904
<b>Total</b>	<b>\$396,637</b>

### Education

#### *Fundamentals of Sustainability Accounting (FSA)*

The FSA Level II curriculum and exam was developed and launched in 2016, with 107 registering for Level II and 85 earning the complete FSA Credential (both Levels I and II). In 2016, the FSA website received over 29,000 visits. 1,481 individuals downloaded materials, 321 created test taker accounts, and 165 became paid registrants. Total FSA candidates and credential holders at end of year were 364. They live in 28 countries, with 80% in the US, 8% in Canada and the rest living around the world. The professional mix at the end of 2016 was:

- 28% Consulting
- 26% Investor
- 16% Corporate Sustainability
- 9% Finance/Accounting
- 6% Professor
- 5% Student
- 10% Other

### Publications Library

In December the organization released its inaugural Annual State of Disclosure Report, which was organized with other SASB publications into a comprehensive Publications Library that allows search and download of SASB research, documents, and guides. There are both free and paid levels of access.

### SASB Symposium

SASB held its first annual conference, the SASB Symposium, on December 1. The conference sold out, with 300 attendees representing the fields of sustainability, investment, corporate reporting, and law. Symposium revenue included ticket fees and sponsorship revenue.

### Resources

#### Navigator

In October, the organization launched the Navigator, a research and information software subscription. The new Navigator offering greatly extended the former Standards Navigator to cover industry performance data, analyst views on emerging news and research, and company-level analysis for disclosure quality on the topics in SASB standards.

#### Licensing

Licensing revenue includes licensing of SICSTM and SASB standards for ERP reporting software, incorporation of SASB IP into data platforms and investor tools, and licensing of SASB content and tools to Advisory Partners.

## 2016 REVENUE: GRANTS

Philanthropic funding—primarily from foundations—supported the majority of SASB’s 2016 operations. New gift commitments slowed considerably in 2016, with just \$2.5 million in new commitments versus \$7 million in the prior year (and compared to the historical average of \$4.5 million per year). \$2.5 million of the shortfall was due to gifts planned to be solicited from high net worth individuals (the Chairman’s Circle), which were not completed.

### 2016 Results

Closing success rate (gift of any size following a proposal)	47% (9 won, 10 lost)
Capture rate (% of the ask that we receive)	76%
Average duration of gift	1.2 years with 11% of gifts multi-year
Average size of gift	\$267,000
New institutional donors	4
Percentage of next year’s budget covered by committed grants at end of year	\$31% (vs. 79% in 2015)

## 2016 USES OF FUNDS

2016 expenses (excluding in-kind contributions) of \$7.8 million rose \$1.5M over the previous year. Key components of the expense increase were:

- Professional services for consulting on the business model, publications, and a campaign for issuer awareness of the standards and standards consultation
- Technology and Product Development expenses to support the internal Research Library Tool and build the Navigator product

- 7% increase in salaries, taxes, and benefits for a stable base of FTEs, with costs driven by annual merit increases, promotions, and increased participation in 401(k) and other benefits programs
- Increased travel expense for briefings and meetings in response to the SEC’s concept release
- Expenses associated with the SASB Symposium conference (cost of earned revenue)

Occupancy expense was reduced by \$175,000 over the previous year as SASB experienced the first full year in its less-expensive leased facility.







## FINANCIAL RESULTS

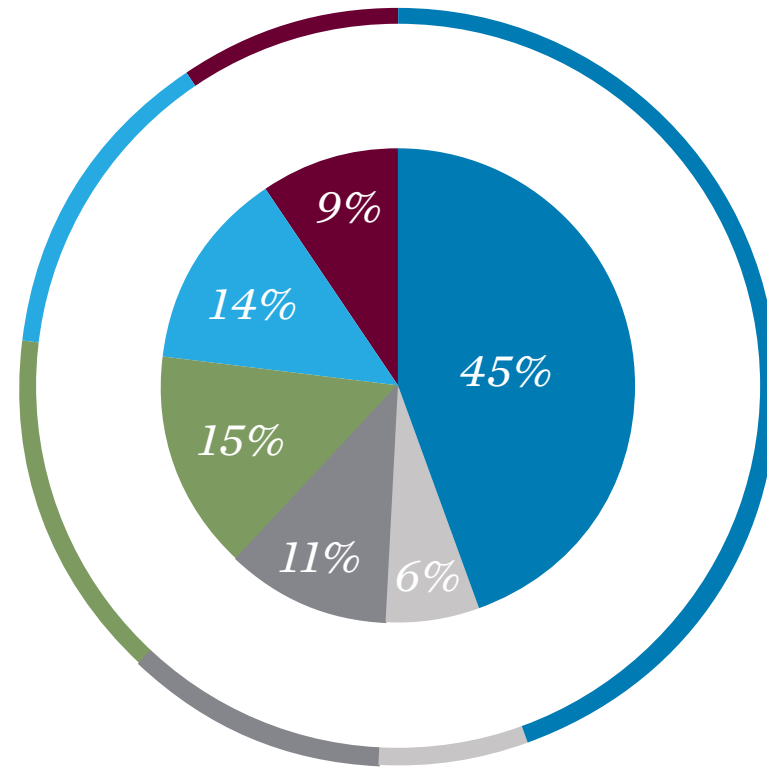
SASB's financial statements are presented according to U.S. GAAP standards and they reflect the specific reporting requirements of not-for-profit organizations. The following section discusses highlights of the financial statements that follow.

### Overview

2016 was a year of concerning financial performance. After three years of increasing fundraising commitments, grant commitments fell in 2016 for the first time as SASB struggled to expand to new donors and existing donors continued payment on their previous commitments without being in a position to make new ones. The increase in earned income from \$85K to \$397K in sales (with revenue recognition lagging sales numbers) was positive, but earned income still represented a small portion of the overall budget. 2016 expenses continued a three-year increase, as the organization completed the provisional standards and expanded to promote standards adoption and launch new earned income products (FSA level II, Navigator, SASB Symposium). The two trends—increasing expenses and falling revenues—led to negative net assets for the first time, and a \$1M loan increased total debt to \$3M (all zero interest loans).

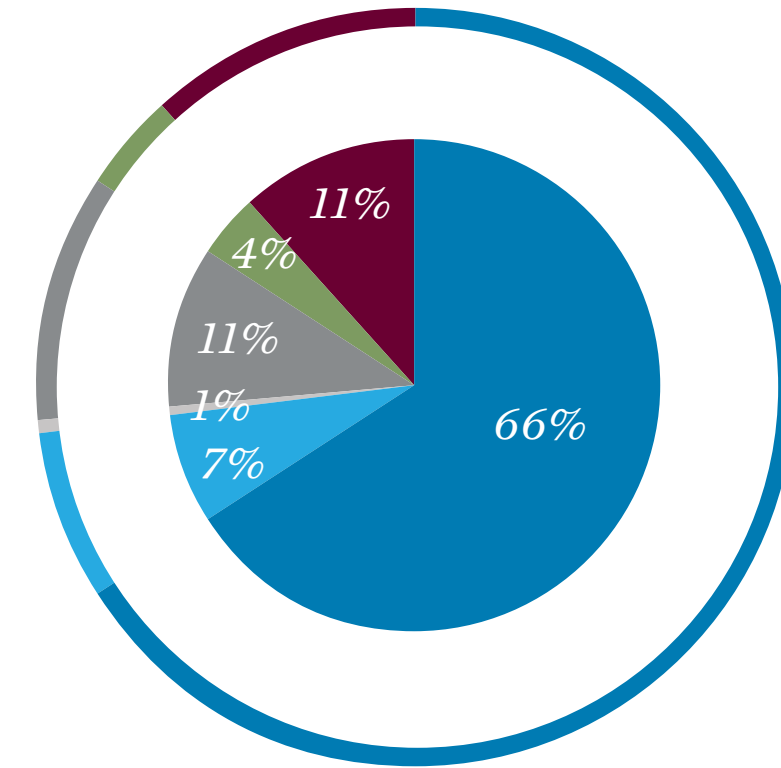
Management was aware of and concerned about these developments. The organization recognized that it would need a new funding approach to stabilize its finances and ensure the organization would endure for the long-term. Throughout 2016, management worked with the board and external consultants to examine business models for standard setters and determine the best elements to incorporate in an updated financial model for SASB.

## USES OF FUNDS



Standards	3,903,448
Education	542,145
Partnerships	975,862
Adoption	1,301,149
G&A	1,195,700
Fundraising	813,971
<b>Total</b>	<b>8,732,275</b>

## SOURCES OF FUNDS



Foundation Grants	5,772,872
Corporation Grants	612,496
Individual Donations	54,125
In-Kind Contribution	933,744
Earned Income	352,742
Other Income	6,296
Zero Interest Loan	1,000,000
<b>Total</b>	<b>8,732,275</b>

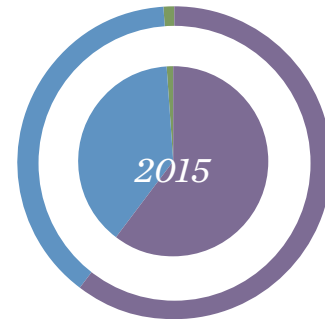
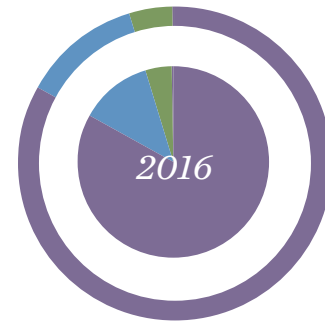


# STATEMENT OF ACTIVITIES

The following charts show operating revenues, and program and support costs for the past two years:

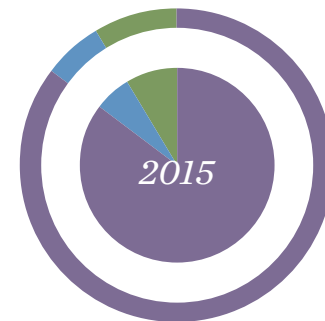
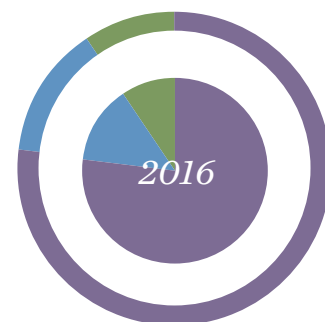
## SOURCES OF OPERATING REVENUE

	2016	2015
Grants	83%	60%
In-kind Donations	12%	39%
Earned Income	5%	1%
Other Income	0%	0%



## EXPENSES

	2016	2015
Program Expenses	77%	85%
G&A	14%	6%
Fundraising	9%	8%



© AMY PERL

Grant revenue comes from foundations, corporations, and individuals. SASB received the majority of its grant support from foundations in 2016 (both current assets and assets released from restrictions). Corporate grants came from corporations that support SASB's work. Individual gifts came largely from the SASB board.

Recognized revenue from earned income was \$352K, up from \$49K in the previous year. The majority was from the SASB Symposium and the FSA program.

## PROGRAM EXPENSES

Program expenses include the staff and vendor costs associated with standards, adoption, education, and resources/partnerships. In addition, these program expenses include an allocation of shared services costs for direct support of these activities (e.g., marketing and communications, technology, occupancy, etc.).

General and administrative expenses represent the unallocated portion of shared services costs as well as unallocable costs, such as expenses associated with the board and purely corporate expenses. 2016 G&A expenses appear higher in 2016 due to a change in allocation methodology that is more reflective of true support costs and is on par with other organizations' base of G&A.

## OUTLOOK FOR 2017

SASB began 2017 with a move to a two-tier governance model that separates funding from standard setting. The legal organization became The SASB Foundation, which raises funds through philanthropy, membership, and earned income programs. The SASB Foundation funds the work of the Sustainability Accounting Standards Board, which is a program area of The SASB Foundation, led by an independent board with delegated authority from The SASB Foundation for standards setting. This separation of funding and standard setting avoids potential conflicts of interest and allows The SASB Foundation board to focus its membership and activities on fundraising and funding concerns. Governance of the standards setting work shifts to the SASB standards setting board.

The SASB Foundation has developed a five-year financial model that reduces 2017 expenses to \$6.9M (nearly \$1M less than 2016) to align expenses with documented cash commitments for the year. The financial model also holds the expense base at \$8M in the remaining years, while ongoing revenue streams from membership, earned income, and modest annual giving build up. To fund this five-year transition to diverse and sustaining revenues, The SASB Foundation is launching a \$30M capital campaign, securing gifts ranging from \$1-5M from high net worth

individuals and foundations. The SASB Foundation has recruited new board-level leadership with a track record of securing multi-million gifts to make this effort a success. By Q1 of 2017, \$6 million was already committed to the campaign, with the majority of commitments expected by the end of the year, and the remainder by June 2018. As the organization reaches robust annual revenues by year four, it will have resources to pay off the debt that matures at the end of 2020.

Thus, the organization in 2017 finds itself with a reduced expense base, a greater cash runway than in previous years, a new approach to fundraising and new leadership to drive it, and a more conservative, achievable plan for long-term success. We expect to move back to positive net assets in 2017 and to strengthen both the Statement of Activities and Statement of Financial Position.

## 2017 Priorities

SASB has three major priorities for 2017:

- Codifying the standards
- Launching and growing a membership program
- Executing a Capital Campaign and moving toward diverse and sustaining revenues

### *Codifying the Standards*

The SASB standards-setting board has been appointed and will work throughout 2017 to codify the standards by early 2018. This will ensure companies have the codified standards to use throughout much of 2018 for establishing internal controls, collecting data, and preparing to report on SASB standards in filings for the 2018 fiscal year.

### *Launching and Growing a Membership Program*

In studying the business models of other standard setters, the organization noted that virtually all setters of voluntary standards have a membership base to help support the organization and champion use of the standards. In response, The SASB Foundation has developed a membership program to engage both individuals and institutions, providing information, education, and community to advance the cause of measuring, managing, and disclosing material sustainability information.

### *Executing a Capital Campaign and Moving Toward Diverse and Sustaining Revenues*

The updated financial model for the organization builds up diverse and sustaining revenue streams from annual philanthropy, market support contributions, earned income products and services, and membership. By year four, The SASB Foundation expects to sustain itself through annual revenues. To reach this state, The SASB Foundation will raise \$30 million in transition capital, which will underwrite operating losses in the early years, hedge against changes in timing of funding, and allow for a modest operating reserve once annual revenues have matured.

## CHALLENGES AND OPPORTUNITIES

### Fundraising

SASB has a compelling rationale and a strong plan for the capital campaign. The organization has board leadership for both the High Net Worth and The SASB Foundation segments of the campaign, and a staff person focused on major gifts. At the same time, a campaign of this size is new for SASB, and The SASB Foundation board is just shifting to more of a fundraising focus. To execute the campaign and to fund the organization over the long term, The SASB Foundation will need to engage its current board members in fundraising and attract new members with a fundraising focus on the board.

### Attracting and Retaining Staff

Achieving the SASB mission requires a highly capable and highly committed staff. SASB has attracted and cultivated a talented staff, many of whom have worked with SASB for several years. At the same time, competitors have approached and recruited some of our staff with attractive opportunities in for-profit areas of sustainability reporting and ESG investing.

SASB is fortunate to have a high profile and a strong reputation, which has attracted top-tier talent for open positions. Adding fresh recruits to our veteran talent gives us a team with a blend of experience and fresh thinking and perspectives.

SASB will continue to invest in things that matter to employees—a comfortable office space and a good working atmosphere; capable and committed colleagues; a sense of camaraderie and shared values; autonomy and ownership over work, and training, coaching, and advancement.



## Conflict of Interest

As an independent, non-partisan standard setter, SASB must conduct its work with the highest integrity, in ways that avoid both conflicts of interest and the appearance of such conflicts. The move to a two-tier governance structure formalizes our long-standing practice of insulating standard-setting activities from funding considerations.

## Confidentiality and Information Security

SASB stakeholders entrust SASB with the information needed to understand an issue from multiple views and create balanced standards. To maintain this trust, SASB and its stakeholders must both be clear when comments and feedback are meant for private advice or the public record, and supporting systems and processes should facilitate that separation. In addition, systems must remain secure, with SASB noting and mitigating risk factors. SASB continues to monitor processes and systems in to ensure the tightest possible management of data and information.



# FINANCIAL STATEMENTS & AUDITOR'S NOTES

## Statement of Financial Position

As of December 31	2016	2015
<b>Assets</b>		
Cash and cash equivalents	1,157,191	3,747,901
Grants and pledges receivable, net of discount	1,080,984	1,874,667
Prepaid expenses and other assets	105,936	136,320
Property and equipment, net	258,820	339,360
<b>Total assets</b>	<b>2,602,931</b>	<b>6,098,248</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	458,673	120,896
Deferred and unearned income	76,951	61,270
Accrued payroll liabilities	400,533	386,253
Loan payable	3,000,000	2,000,000
<b>Total liabilities</b>	<b>3,936,157</b>	<b>2,568,419</b>
<b>Net Asset</b>		
Unrestricted	(4,459,107)	(2,712,035)
Temporarily restricted	3,125,881	6,241,864
<b>Total net assets</b>	<b>(1,333,226)</b>	<b>3,529,829</b>
<b>Total Liabilities and Net Assets</b>	<b>2,602,931</b>	<b>6,098,248</b>

## Statement of Activities

Years ended December 31	2016	2015
<b>Revenue and support</b>		
Foundation grants	1,135,500	1,009,000
Corporation grants	262,500	1,926
Individual donations	54,125	126,346
In-kind contributions	933,744	1,974,909
Earned income	352,742	48,924
Other income	6,296	11,275
Net assets released from restrictions	4,272,180	1,959,417
<b>Total revenue and support</b>	<b>7,017,087</b>	<b>5,131,797</b>
<b>Expenses</b>		
Program expenses	6,722,604	7,057,058
General and administrative	1,195,700	516,554
Fundraising	813,971	700,357
<b>Total expenses</b>	<b>8,732,275</b>	<b>8,273,969</b>
<b>Decrease in unrestricted net assets</b>	<b>(1,715,188)</b>	<b>(3,142,172)</b>
<b>Changes in temporary restricted assets</b>		
Foundation grants	1,095,300	6,941,500
Changes in discount on long-term receivables	29,013	(17,274)
Net assets released from restrictions	(4,272,180)	(1,959,417)
<b>Increase (decrease) in temporary restricted net assets</b>	<b>(3,147,867)</b>	<b>4,964,809</b>
<b>Increase (decrease) in net assets</b>	<b>(4,863,055)</b>	<b>1,822,637</b>
<b>Net assets at beginning of year</b>	<b>3,529,829</b>	<b>1,707,192</b>
<b>Net assets at end of year</b>	<b>(1,333,226)</b>	<b>3,529,829</b>

## Statement of Cash Flows

Years ended December 31	2016	2015
<b>Operating activities</b>		
Increase (decrease) in net assets	(4,863,055)	1,822,637
<b>Prepaid expenses and other assets</b>		
Depreciation	87,846	13,530
Change in discount on long-term receivables	(29,013)	17,274
<b>Changes in:</b>		
Grants and pledges receivable	822,696	(1,394,551)
Prepaid expenses and other assets	30,384	(64,796)
Accounts payable and accrued liabilities	337,777	(35,705)
Deferred and unearned income	15,681	52,270
Accrued payroll liabilities	14,280	(145,097)
<b>Cash provided by (used for) operating activities</b>	<b>(3,583,404)</b>	<b>265,562</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(7,306)	(282,384)
<b>Cash used for investing activities</b>	<b>(7,306)</b>	<b>(282,384)</b>
<b>Financing Activities</b>		
Proceeds from loan payable	1,000,000	2,000,000
<b>Cash provided by financing activities</b>	<b>1,000,000</b>	<b>2,000,000</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,590,710)</b>	<b>1,983,178</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,747,901</b>	<b>1,764,723</b>
<b>Cash and cash equivalent at end of year</b>	<b>1,157,191</b>	<b>3,747,901</b>
<b>Additional cash flow information:</b>		
State registration taxes paid	150	150
Interest and finance charges paid	-	-



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## 1. Organization

Previously registered as the Sustainability Accounting Standards Board before changing its name in 2017, The SASB Foundation (SASB) is a 501(c)(3) non-profit organization incorporated in California in 2011. SASB is engaged in the creation and dissemination of sustainability accounting standards for use by publicly-listed corporations in disclosing material sustainability issues for the benefit of investors and the public. Through the first quarter of 2017, SASB has committed itself to developing standards for more than 79 industries in 11 sectors suitable for use in providing decision-useful information in the SEC Forms 10-K and 20-F.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

The financial statements of SASB have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, SASB is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

### Grants and Pledges Receivable

Grants and pledges receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received and amounts are stated at estimated net realizable value.

### Support and Revenue Recognition

SASB records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in unrestricted or temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions.

### Property and Equipment

Property and equipment purchased by SASB are stated at cost. Property and equipment donated to SASB are recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the assets (between three and fifteen years) utilizing the straight-line method.

### Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, SASB is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that SASB has adequately evaluated its current tax positions and has concluded that as of December 31, 2016, SASB does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

SASB has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. SASB may periodically receive unrelated business income, such as sublease rent, requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, SASB calculates and accrues the applicable taxes payable.

### 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 certain reported amounts 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 reported period. Accordingly, actual results could differ from those estimates.

### Functional Allocation of Expenses

The costs of providing SASB's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received in accordance with ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities*." The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

## 3. Cash and Cash Equivalents

Cash and cash equivalents of \$1,157,191 and \$3,747,901 at December 31, 2016 and 2015, respectively, consist of funds on deposit in multiple bank accounts. Checking account balances of \$486,087 and \$736,557 at December 31, 2016 and 2015, respectively, do not bear interest. Savings account balances of \$671,104 and \$3,011,344 at December 31, 2016 and 2015, respectively, bears interest at the rate of 0.08% per annum. Although amounts on deposit exceed federally insured balances, SASB attempts to limit its credit risk associated with cash and cash equivalents by utilizing well capitalized and highly-rated financial institutions.

## 4. Grants and Pledges Receivable

Grants and pledges receivable of \$1,080,984 and \$1,874,667 at December 31, 2016 and 2015, respectively, consist of amounts due from foundations and individual donors. As of December 31, 2016, management considers all receivables to be fully collectible and has therefore not established an estimated allowance for uncollectible amounts. There was no bad debt expense amounted for the years ended December 31, 2016 and 2015. Grants and pledges receivable at December 31, 2016 are expected to be collected as follows:

Year ending December 31, 2017	\$ 793,855
Year ending December 31, 2018	290,000
Total grants and pledges receivable	1,083,855
Less: Unamortized discount	(2,871)
Grants and pledges receivable (net of discount)	<u>\$ 1,080,984</u>

Grants and pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.0% per annum. The discount related to the present value calculation is accreted back into income over the estimated collection period of the grants and pledges receivable.

## 5. Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Leasehold improvements	\$ 324,808	\$ 317,502
Trademark	71,884	71,884
Less: accumulated depreciation and amortization	(137,872)	(50,026)
	\$ 258,820	\$ 339,360

Depreciation and amortization expense amounted to \$87,846 and \$48,648 for the years ended December 31, 2016 and 2015, respectively. During the year ended December 31, 2015, SASB disposed of \$98,118 of fully depreciated property and equipment. There were no dispositions during the year ended December 31, 2016.

## 6. Leases

SASB leases corporate office space in San Francisco under a multi-year operating lease agreement from an unrelated third party with an expiration date of May 31, 2019. The monthly base rent as of December 31, 2016 is \$18,360 per month and is subject to a 3% increase annually every June 1. Office rent expense amounted to \$195,039 and \$314,911 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments as of December 31, 2016 are as follows: Year ending December 31, 2017: \$224,172; Year ending December 31, 2018: \$230,897; and Year ending December 31, 2019: \$97,389.

## 7. Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$87,367 and \$1,204 for the years ended December 31, 2016 and 2015, respectively, and are reflected on the statement of functional expenses.

## 8. Contributed Support

During the years ended December 31, 2016 and 2015, SASB was the recipient of a substantial amount of in-kind contributions. SASB was the beneficiary of pro-bono research, professional services, and certain tangible items in connection with its operational activities. In accordance with ASC 958.605.30-11, *Not-for-Profit Entities Revenue Recognition – Gifts in Kind*, SASB has determined that the estimated value of these items amounted to \$933,744 and \$1,974,909, respectively, and such amounts have been reflected as in-kind contributed income on the statements of activities and corresponding expenses on the statement of functional expenses.

## 9. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate SASB to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the SASB's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Certain grants and contracts (including current and prior costs) are subject to audit, adjustment, and final acceptance by the granting agencies. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the

financial statements. Accordingly, no accrual for estimated losses for any of the matters noted above has been made in the financial statements as of December 31, 2016 and 2015.

## 10. Accrued Payroll and Related Benefits

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, SASB is required to record a liability for the estimated amount for future employment obligations. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position. Accrued payroll liabilities amounted to \$400,533 and \$386,253 at December 31, 2016 and 2015, respectively, and are reflected on the statements of financial position.

## 11. Retirement Plan

SASB offers employees the opportunity for participation in a salary reduction retirement plan (the "Plan") qualified under Internal Revenue Code Section 401(k). The Plan provides employees with the opportunity to defer a portion of their

salary subject to annual statutory limitations. Employees must meet certain age and work requirements in order to be eligible to participate in the Plan. The Plan provides for discretionary employer contributions which amounted to \$324,957 and \$186,417 for the years ended December 31, 2016 and 2015, respectively. Employer contributions are subject to a vesting schedule in accordance with Internal Revenue Service regulations.

## 12. Loan Payable and Line of Credit

Loan payable of \$3,000,000 and \$2,000,000 at December 31, 2016 and 2015, respectively, represents a noninterest-bearing loan from Bloomberg Philanthropies to be repaid as SASB raises sufficient funds from its contributed income activities. There was no interest expense for the years ended December 31, 2016 and 2015.





## 13. Net Assets

### Unrestricted Net Assets

Unrestricted net deficit of (\$4,459,107) and (\$2,712,035) at December 31, 2016 and 2015, respectively, represents the cumulative net deficits from operating activities since the organization's inception. The Board of Directors may elect certain unrestricted balances to be set aside as Board-designated funds, with future changes subject to approval by the Board. There were no Board-designated funds at December 31, 2016 and 2015.

### Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows as of December 31:

	2016	2015
Crowe Horwath LLP	\$ 50,000	\$ 100,000
Deloitte & Touche LLP	645,838	895,833
Doris Duke Charitable Foundation	125,000	250,000
F.B. Heron Foundation	137,500	-
Ford Foundation	125,000	125,000
Grantham Foundation	-	22,915
Moore Foundation	196,868	-
Morgan Stanley	50,000	100,000
The David & Lucille Packard Foundation	1,125,000	2,625,000
PriceWaterhouseCoopersLLP	125,000	625,000
Rockefeller Foundation	374,995	865,000
Rockefeller Brothers Fund	141,667	15,000
Surdna Foundation	-	150,000
Tomkat Charitable Trust	-	500,000
Unamortized discount on long-term receivables	29,013	(31,884)
Total temporarily restricted net assets	3,125,881	6,241,864

Restricted contributions to temporarily restricted net assets amounted to \$1,095,300 and \$6,941,500 for the years ended December 31, 2016 and 2015, respectively. Net assets released from restrictions amounted to \$4,272,180 and \$1,959,417 for the years ended December 31, 2016 and 2015, respectively. These amounts were transferred from temporarily restricted net assets to unrestricted net assets on the statements of activities and changes in net assets.

## 14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, SASB has evaluated subsequent events through May 17, 2017, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.

## MANAGEMENT'S REPORT ON FINANCIAL RESPONSIBILITY AND INTERNAL CONTROLS

The SASB Foundation's management is responsible for preparing the organization's financial statements and ensuring the accuracy of the information in this report. The statements have been prepared according to US GAAP. Management also establishes and maintains the systems for financial reporting and internal controls designed to ensure the completeness, accuracy, and integrity of financial reporting.

The SASB Foundation's Board of Directors, through the Audit Committee and the office of the Treasurer, oversees the organization's financial and accounting policies, policies and procedures for internal controls, and its independent audits. The organization's auditors render an objective, outside opinion on the financial statements each year; and they have direct access to discuss matters with the Audit Committee, both with and without the presence of management.

The SASB Foundation's internal controls are designed to provide reasonable assurance that the financial statements present fairly, in all material respects, the financial position of the organization as of December 31, 2016.



**Matthew Welch**  
SASB COO 2014-2017  
The SASB Foundation President 2017-







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