





Sustainability Accounting Standards Board
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sasb.org

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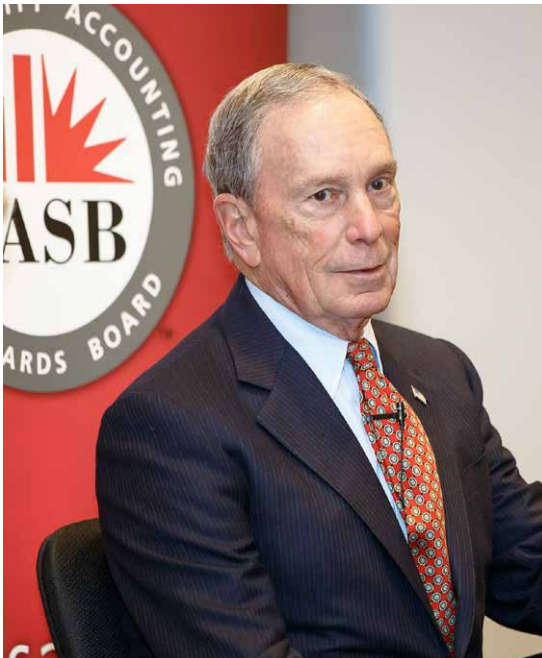
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LETTER FROM THE CHAIR SASB FOUNDATION BOARD



Demand for corporate sustainability information used to be driven by ethics. Today, it is increasingly driven by economics. Investors want to better understand not only how companies impact the environment, but also how climate change and other factors will impact companies – and which companies are taking smart steps to reduce risks and increase returns.

By creating industry-specific standards to help companies measure and report on these issues, SASB allows investors to make apples-to-apples comparisons when allocating capital. These standards give companies the tools they need to measure their performance against their peers and to take steps to address vulnerabilities and opportunities. This makes markets more efficient, stable, and resilient.

In 2017, SASB worked to complete its provisional standards, consulting with hundreds of companies and dozens of institutional investors in the process. This year, we will look more closely at how SASB can maintain and build upon these standards, including beyond the U.S.

As we move closer to finalizing the provisional standards, 2018 will be a critical year for achieving our goal of making sustainability disclosures accessible and useful for investors.

Sincerely,

A handwritten signature in black ink that reads "Michael R. Bloomberg". The signature is fluid and cursive, with a long, sweeping tail on the letter "g".

Michael R. Bloomberg
Chair, SASB Foundation Board of Directors

SASB STANDARDS BOARD

JEFFREY HALES, PHD

*Chair of the SASB Standards Board**

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Ernest Scheller Jr. College of Business

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* Mr. Hales became Chair of the SASB Standards Board on April 23, 2018, previously serving as Vice-Chair. He succeeded Jean Rogers, the Founder of SASB and former Chair of the SASB Standards Board.

LETTER FROM THE CHAIR SASB STANDARDS BOARD



Imagine a world with access to relevant and reliable information on corporate sustainability performance. This information would enable both companies and investors to make decisions that help drive value now and in the future. This type of information is essential if financial markets are going to efficiently and effectively price business performance and risk.

Seven years ago, that idea was a little more than a dream. Today, thanks to so many others who have come to share the SASB vision, it is coming to life. The SASB Standards Board and our staff have spent six years developing and refining provisional sustainability accounting standards for 79 industries across 11 economic sectors. While our work is far from over, we are approaching a major milestone in 2018: codification of the standards for use by corporations and investors. How did we get ready to codify?

One hurdle to good communication is listening with the intent to reply rather than with the intent to understand. In preparation for codification, we began 2017 by doing the latter. We

engaged in deep consultation with corporations and investors to hear their perspectives on our provisional standards. Were the disclosure topics likely to be financially material for companies in the industry? Were the associated metrics cost-effective to implement? Did they yield information that would be useful to decision makers?

The understanding we developed during this important outreach informed our work for the remainder of the year, as we established proposed changes to the standards, documented the underlying rationale, and published an updated draft of each industry standard for public review and comment. As our efforts in 2017 illustrate, SASB standards are rooted in evidence-based research and are shaped by the market they serve. And as we move beyond codification later this year, we will double-down on our commitment to being responsive to stakeholders and to foster a variety of opportunities for engagement, thus spurring continued investor and corporate use.

Although much work remains to be done, we will take a big step forward this year with the codification of SASB standards, enabling us to remain on track for meeting our 2018 goals. Our progress is your progress. Like each of us here at SASB, I am deeply grateful for your continued support as we move closer to making our shared vision a reality.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Hales', with a long horizontal line extending to the right.

Jeffrey Hales, PhD
Chair of the SASB Standards Board

Sustainable Future



SASB's Beginnings

It all started with a straightforward assumption: Sustainability is important to business and, conversely, business is important to sustainability. Recognizing that every business is unique, this simple notion led researchers at Harvard University to explore a critical question: "If we could design a process to reliably identify the sustainability issues and associated performance metrics that are relevant to the core operations of a business, what would it look like?" The question turned into a seminal paper, co-authored by Steve Lydenberg, Jean Rogers, and David Wood, and subsequently published in 2010 by Harvard University's Initiative for Responsible Investment: *From Transparency to Performance*.

It turns out many people were interested in the answer. Responding to overwhelming interest from investors, corporations, regulators, and others, one of the authors, Jean Rogers, began exploring ways to apply the paper's industry-specific methodology to the entire economy. Undaunted by the enormity of the task, she recognized that creating a more complete picture of corporate performance would enable companies to better manage key sustainability factors, investors to better understand their impact on risk and return, and markets to more efficiently incorporate them into the prices of securities. In July 2011, Jean founded a non-profit standards-setting organization, and the Sustainability Accounting Standards Board (SASB) was born.

Since then, SASB has spent six years systematically developing and refining provisional sustainability accounting standards. Our rigorous approach to standard-setting has involved evidence-based research, stakeholder consultation, multiple points of public feedback, and expert-led oversight—all to ensure

the standards address legitimate pain points in a way that balances the needs of all market participants. In 2018, SASB's journey will reach a critical turning point, when we codify the standards and promote their continued use by corporations and investors around the world. With their implementation, SASB standards will usher in an era of more focused companies, better informed investors, and more efficient markets.

The Road Ahead

As we look to 2018 and beyond, SASB will remain focused on maintaining world-class standards that meet the needs of the market. To do so, we will continue to follow our due process, including market outreach and research, to respond to important shifts in the competitive landscape and reporting ecosystem; monitor implementation to ensure the standards are fit for purpose; and respond to global interest in the standards. Meanwhile, we will continue our transition to a diversified and sustaining business model that establishes SASB as a long-term fixture of capital market infrastructure. Specifically, SASB's goals for this next period of work are:

- Serve the markets as a credible and respected standard setter that produces world-class work
- Demonstrate investor use of SASB standards to make decisions (visible demand)
- Achieve corporate use of SASB standards for sustainability disclosure to investors in mainstream financial reports (visible supply)
- Transition to diversified and sustaining revenues
- Demonstrate the relevance of SASB standards across jurisdictions and encourage broad uptake

ACCOMPLISHMENTS



2017 was a year of progress that saw increased prominence in the market, early use of the standards among top companies, and revenue growth for SASB programs of 150 percent. As these highlights illustrate, SASB gained important ground on a variety of fronts in 2017, including in research and standard-setting, market outreach, education and resources, and market support—all of which have set the stage for addressing our 2018 goals.

Research and Standard Setting

SASB supports the development and maintenance of industry-specific sustainability accounting standards that help corporations report financially material information in a way that is cost-effective and useful to internal and external decision makers, such as investors, managers, and other users.

In our effort to deliver world-class standards to the capital markets, 2017 marked a milestone year for SASB. In preparation for codification, we performed an extensive examination of potential updates to the provisional standards for nearly 80 industries, which were developed between 2012 and 2016.

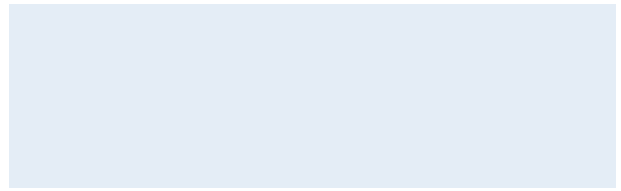
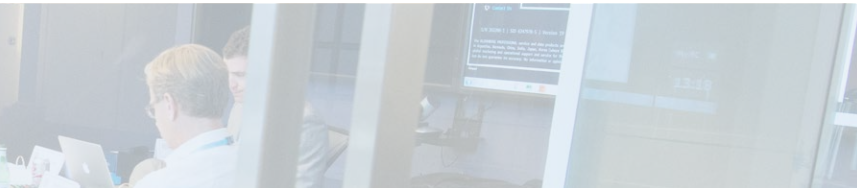
Specifically, we concluded a six-month consultation period on March 31, during which time feedback from companies, investors, and subject matter experts was gathered. These stakeholders provided extensive input on the financial materiality of SASB's provisional disclosure topics and the decision-usefulness of the associated accounting metrics, while also providing detailed commentary about prospective topics and metrics.

Taking pains to ensure the breadth of our outreach matched the scope of our task, SASB reached out to 655 companies and 61 industry associations during the consultation period. A total of 224 companies (representing \$11.8 trillion in market capitalization) met with our analysts to learn more about SASB and the standards for their industry, 141 of which (totaling \$7.5 trillion in market capitalization) went on to provide feedback via consultation meetings. Additionally, we gave 41 briefings to industry associations, 19 of which (representing hundreds of

companies) also responded with valuable feedback on the standards. Meanwhile, we also consulted with investors on how to improve the usefulness of SASB standards in investment analysis; we engaged 38 institutional investors who provided feedback on how to improve the usefulness of SASB standards in investment analysis (via 271 industry consultations).

Under the Standards Board's oversight and guided by our *Conceptual Framework*, we reviewed the feedback and developed proposed updates to the provisional standards, ultimately publishing 248 Bases for Conclusion, which outlined each proposed change and the rationale behind it, along with "redlined" Exposure Drafts of 77 industry standards that clearly identified how and where the proposed changes would appear. These documents were made public for a 120-day Public Comment Period, through which SASB received substantial feedback on proposed changes to the standards via 120 comment letters from 97 respondents.

The results of these outreach efforts—from expert feedback to public comment—will factor into the Standards Board's deliberations when it assesses proposed updates to the standards against concepts outlined in the *Conceptual Framework* and votes on standards codification in 2018.



“2017 saw the continuation of SASB’s thorough, open, and deliberative due process that will ensure that when the standards are codified in 2018, they are high-quality, reflecting the collective judgment of experts and input and feedback from a broad range of stakeholders.”

– BOB HERZ FASB FORMER CHAIRMAN

Overall, 2017 was a momentous year of high-quality engagement with key stakeholders across numerous industries, advancing SASB standards toward their highly-anticipated codification, greater investor support, and more corporate adoption.



Research on Cross-Cutting Issues

To produce standards that make the most sense for company and investor use, SASB’s bottom-up standards development process is designed to surface industry-specific sustainability factors that are likely to have a financially material impact on businesses. However, in doing so, certain issues have emerged that are likely to have such impacts on companies in more than one sector or industry. This is why, in 2017, we decided to complement our industry-specific approach and launch new research teams focused on these cross-cutting issues, such as Climate Risk, Human Capital, Cybersecurity, and Resource/Operational Efficiency. These specialized groups will focus on evaluating and improving SASB’s approach to these uniquely pervasive sustainability issues, ensuring that we meet our stakeholders’ needs in covering issues of systemic importance to capital markets.

“The work accomplished this year by the research team is truly impressive. This has been a year of intense efforts to engage with corporations and investors. The team’s efforts in that regard continue to be an essential input into their work as they steadfastly complete their review of ESG topics and metrics – always with an eye toward decision-usefulness and cost-effectiveness – in order to move us closer to the codification of a complete set of sustainability accounting standards that are ready for issuers to adopt and for the markets to use.”

– JEFFREY HALES CHAIR OF THE SASB STANDARDS BOARD

ACCOMPLISHMENTS



Market Outreach

Through our Capital Markets Policy and Outreach efforts, SASB mobilizes investors to more clearly articulate their evolving needs for sustainability-related information, and to engage with companies to encourage the use of SASB standards to meet those needs. We also regularly brief other key institutional stakeholders on SASB and represent SASB at high-profile conferences globally.

In 2017, we helped amplify the voices of investors in support of a market standard for financially material sustainability disclosure. We did so primarily through our work with SASB’s Investor Advisory Group (IAG), which comprises leading asset owners and asset managers who recognize the need for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability information. The influence of the IAG continues to grow along with the size of its membership, which rose from 25 to 28 members in 2017. Today, the IAG stands at 32 members, representing assets under management of \$26.2 trillion, up from \$19.9 trillion when the IAG was founded.

The IAG convened a successful Corporate-Investor Dialogue, designed to help investors and corporations find common ground to improve reporting



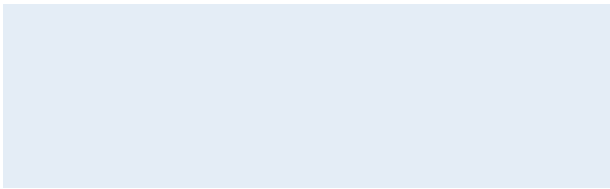
Legal Roundtable Highlights

Despite growing interest in sustainability matters among investors, corporate professionals, and regulators, many important and relevant legal questions about sustainability disclosure remain open to debate. As part of our commitment to support implementation of SASB standards, and to address issuer concerns, SASB convened a legal roundtable in 2017 at Harvard Law School, where securities law scholars and practitioners discussed these nuanced considerations. The event was a historic convening of specialized expertise and diverse perspectives, helping move the market’s dialogue forward. Read highlights from this roundtable, “Emerging Legal Issues Related to Company Sustainability Disclosures,” online at library.sasb.org.

SASB Speaks



Throughout the past year, SASB, its staff, and board members were panel speakers at more than 70 conferences, providing ample opportunity to educate the market about SASB.



of financially material sustainability information in mainstream corporate reports. This dialogue also helped companies better understand why investors want better Environmental, Social and Governance (ESG) information and how they use it. Based on the success of this event, the IAG plans to convene other sector-specific Corporate-Investor Dialogues in 2018. The IAG also initiated a pilot engagement program as 2017 drew to a close, in which engagement teams met with a small group of leading companies to encourage the use of SASB standards in core communications with investors.

Thanks in part to these efforts, SASB standards are now in use by some of the world's most influential asset managers and owners; the utility of SASB as a useful ESG integration tool has been brought to the attention of many others. IAG pilot engagement efforts have been very effective, and there is increased use of SASB standards in the investor-focused reporting of well-recognized companies.

"With a mission of securing the financial future and sustaining the trust of California's educators, CalSTRS is keenly interested in better understanding the ESG risks to which our \$225 billion portfolio is exposed. Having a greater line of sight on material issues is one of the key reasons I joined SASB's Investor Advisory Group (IAG) and am proud to chair it. The IAG is meeting with companies to encourage them to consistently communicate how they are managing financially material ESG risks to share-owners and the public by using the SASB standards. This is one of the core objectives of the IAG for 2018 and 2019."

– CHRISTOPHER AILMAN

CALSTRS
CHIEF INVESTMENT OFFICER AND
SASB INVESTOR ADVISORY GROUP CHAIR

ESG Integration Insights



Although SASB standards are not yet codified, investors have already begun to incorporate them into their decision-making processes. The SASB publication *ESG Integration Insights*, features case studies documenting use of SASB standards and tools in the investment decision-making of global investors across a variety of asset classes and investment strategies. The second annual edition of *ESG Integration Insights*, issued in 2017 and available in the online [SASB Library](#), features eight investor-written case studies examining how SASB standards have informed fundamental equity and credit analyses, manager selection and evaluation, and index construction. The publication not only helps SASB share best practices among the investor community, but also demystifies investor use of sustainability information for corporate issuers.

ACCOMPLISHMENTS



Education and Resources

SASB provides educational tools, resources, and programs to help market participants—from institutional investors to companies, and accountants to academics—understand how sustainability accounting factors into their work.

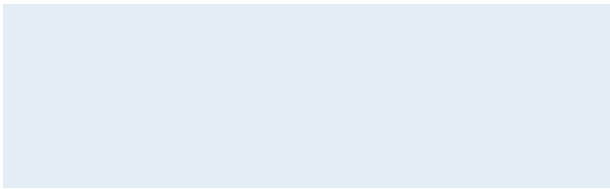
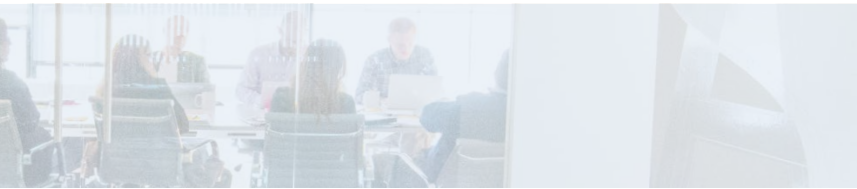
Beyond developing and issuing standards, SASB develops educational tools and resources that help the market understand and use the standards. These programs also provide earned income that supports a portion of SASB's annual budget. SASB grew its education and resources programs in 2017, with an influx of new members, conference attendees, and Fundamentals of Sustainability Accounting (FSA) credential-holders. We also welcomed new organizations licensing our standards and saw a surge in registrations for our online publications library. All signs point to greater use of SASB standards in the year ahead.

Alliance Membership: The SASB Alliance membership program was launched in May 2017 to build a community of organizations and individuals developing best practices for integrating financially material sustainability information into their existing processes, and to provide opportunities to learn from and connect with experts and peers. Within the first eight months of 2017, we welcomed 66 new individual SASB Alliance members and 36 new organizational members, representing asset owners, asset managers, service providers, and corporations. As the Alliance continues to grow, it will become even more instrumental in helping SASB fulfill its mission.

Annual Symposium: In its second year, the SASB Symposium—the only event at the intersection of sustainability, accounting, finance, and law—grew to nearly 400 attendees, 25 percent greater than the attendance at 2016's inaugural event. Featuring cutting-edge thought leadership from prominent speakers, the event has become a not-to-be-missed opportunity to learn, share, and connect with other professionals and industry experts.

SASB Navigator: The SASB Navigator helps analysts, consultants, and academics easily explore SASB standards, research the evidence of materiality for each disclosure topic in the standards, and analyze existing disclosures of SASB topics for over 4,000 companies. The SASB Navigator leverages over three years of work by SASB's technology team to train our machine learning algorithms to analyze, categorize, and classify over 750,000 disclosure excerpts at scale. In 2017, SASB tripled the number of sustainability disclosure excerpts it makes available via the SASB Navigator, enabling users to quickly see trends in corporate disclosure on SASB-related topics and how those disclosures have changed over time.





FSA: As an emerging practice, sustainability accounting must be carried forward by a new wave of market leaders with an integrated, cross-disciplinary understanding of how businesses create value. Our FSA Credential is the only credential that helps professionals explore the link between material sustainability information and a company's financial performance. In the past year, we saw significant growth in the number of FSA Credential candidates, surpassing 550 FSA registrants and nearly 200 FSA Credential holders. To respond to growing demand and reflect changes in the market, we updated the FSA curriculum, and added additional support for exam takers.

Licensing: SASB is used across a variety of data provider platforms in the market. In concert with our goals focused on investor and corporate use, SASB licenses its standards, the Sustainable Industry Classification System (SICS®), and related content to organizations that incorporate our work into their business processes, products, and services. These companies provide a filter on their data sets to view data consistent with SASB standards. This year, we're excited by the boost in partnerships and

"As someone who has worked in sustainable investing for ten years, I jumped at the chance to certify my expertise, and was delighted to learn a lot in the process! The SASB FSA offers a rigorous way to understand material factors you won't find in a company's financial statements."

– CLAIRE VEUTHEY

FSA CREDENTIAL HOLDER
WELLS FARGO, SENIOR ANALYST/
HEAD OF ESG–SOCIAL IMPACT INVESTING TEAM

increase in licensing revenue. As more organizations integrate SASB materials into their offerings, the market moves closer to broad uptake of sustainability accounting standards.

Publications: The SASB Library, an online repository which houses market research, user guides, and other publications, has become a significant source of new relationships for SASB—second only to the standards themselves. Reaching over 2,300 registrations in 2017, the Library's performance is proof of a growing appetite for more information about the standards, the underlying research, and their application in the market place.

Support from the Market

Market participants are the primary beneficiaries of SASB standards and they represent a broad and growing base of SASB's financial support as well. In addition to grants from market actors to fund SASB's standard-setting work, the past years have seen investors, corporate reporting professionals, lawyers, and accountants, among others, from more than 500 companies purchase SASB membership and education programs or other resources, driving 2017 sales to \$1M. These programs contribute financial support to SASB and help the market to understand and use the standards.

**\$1M in 2017
Product Sales**



THE BIGGER PICTURE



Based on our accomplishments in 2017, and what we've already observed through 2018 thus far, SASB continues to make great progress on its long-term goals. A broader market movement also presses on: asset owners and managers continue to seek out more useful information on aspects of corporate sustainability performance that affect the bottom line, while companies continue to explore their options for responding to investor demand.

On the demand side, the world's two largest asset managers emphasized sustainability and sustainability reporting in letters to publicly traded corporations. In August of 2017, Vanguard chairman Bill McNabb asked companies to "embrace the disclosure of sustainability risks that bear on a company's long-term value creation prospects," and cited SASB standards as a suitable framework for doing so. Likewise, in a January 2018 letter to S&P 500 chief executives, BlackRock CEO Larry Fink wrote, "Environmental, social, and governance (ESG) factors relevant to a company's business can provide essential insights into management effectiveness and thus a company's long-term prospects." The firm backed up that assertion by incorporating SASB standards into its proxy voting guidelines and referencing SASB standards in stewardship memos on climate change and human capital management.

These prominent investor voices were part of a larger chorus calling for increased focus on—and disclosure of—financially material sustainability factors. This included the incorporation of SASB standards in Neuberger Berman's proxy voting guidelines, as

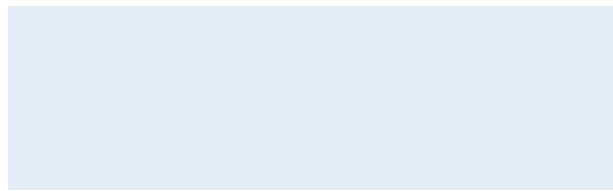
well as key research in June of 2017 from Bank of America Merrill Lynch on sustainability indicators ("the best signal we have found for future risk"). In July, the Securities and Exchange Commission (SEC) was petitioned to require corporate issuers to disclose information regarding their management of human capital. The ascendancy of investor interest in ESG issues is also reflected in the continued growth of signatories to the Principles for Responsible Investment, which has grown from 100 in 2006 to more than 2,000 in 2018—now representing about \$80 trillion in assets under management.¹

As asset owners and managers call for better disclosure of ESG information, some early SASB adopters are not waiting for codification of the standards and have already reported SASB metrics in standalone SASB reports, sustainability reports, and SEC filings. Others are beginning to reference SASB in annual reports, indicating that the utility of the standards is growing across numerous industries globally.

¹ PRI Association. Accessed May 14, 2018. www.unpri.org/about-the-pri

EXAMPLES OF EARLY ADOPTERS





Meanwhile, the quality—not just the volume—of that reporting on SASB standards is also improving. For example, our annual *State of Disclosure Report* analysis demonstrated that companies recognize the importance of these topics to their business: Across all industries and topics, 83 percent of possible entries² included some form of disclosure, representing a slight increase from 81 percent the previous year. Similarly, the quality of disclosure showed a modest uptick, including more than 800 instances

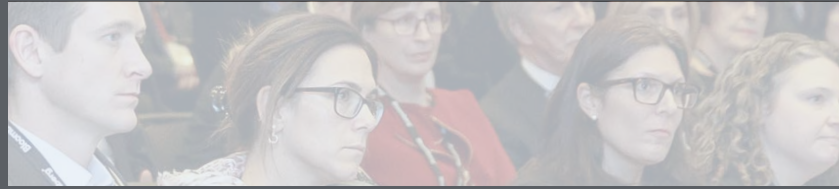
of companies disclosing information aligned with SASB standards; indeed, our analysis documented 15 companies using more than half the metrics in their industry's standard in their SEC filings.³

As these developments indicate, powerful market forces—supply and demand—are driving improved disclosure of material sustainability information. The soon-to-be-codified SASB standards will further enable communication between corporations and investors on sustainability-related performance, create more efficient pricing of risk, and help put financial capital to its highest and best use.

² The analysis searched fiscal year 2016 SEC filings for the top 10 companies in each industry for disclosures related to the topics included in the industry-specific SASB standards. The more than 4,110 possible entries were then categorized based on disclosure quality as “No Disclosure,” “Boilerplate,” “Company-Tailored Narrative,” or “Metrics.” Of the possible entries, a total of 3,397 included relevant disclosures (i.e., all possible entries minus those categorized as “No Disclosure”).

³ Not all cases include *explicit* mention of “SASB” or use SASB Metric codes in their reporting.

SUPPORT



SASB is extremely grateful to the following group of committed organizations and individuals with the vision to support standards that enhance the efficiency of capital markets and powerfully address the sustainability challenges of our time. Their generosity fuels the research and outreach needed to develop provisional standards and to engage the capital markets, helping corporations and investors focus on financially material sustainability issues. We are pleased to recognize this distinguished group whose outstanding generosity has enabled SASB to devise standards with the power to make markets more efficient, stable, and resilient.

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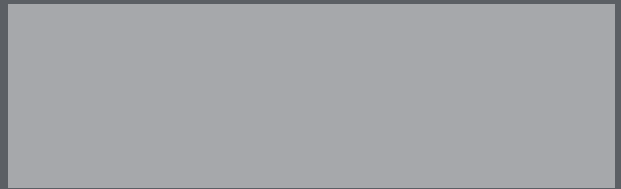
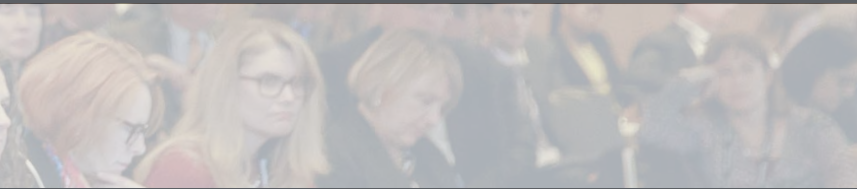
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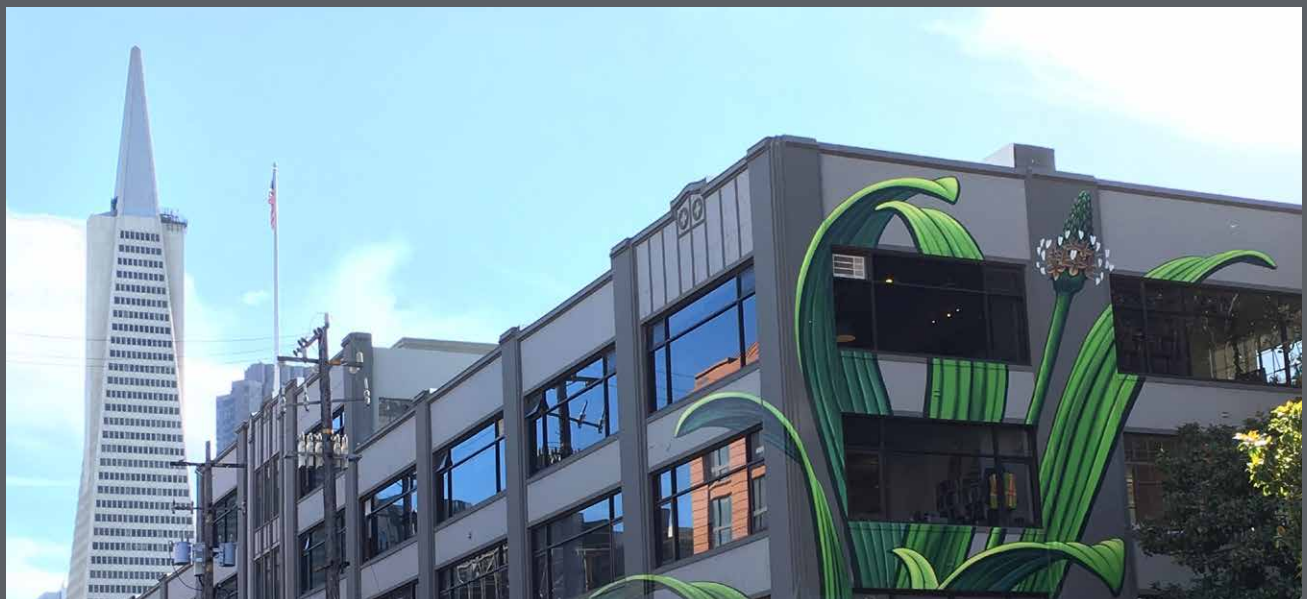
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 Mary Schapiro
 Anne Sheehan
 Megumi Shiose
 Robert Steel
 Ronald Stern and Elisse Walter
 The Catherine Odelbo
 Philanthropic Fund
 The Gunders Philanthropic
 Account Fund
 The Spinella Welch Family
 Charitable Fund
 Laura Tyson
 Jack Wadsworth
 Ed Waitzer
 Edward White
 Jay Willoughby

**Other Generous Individual
 Contributors**

Alan Beller
 Rosario Capponi
 Audrey Choi
 Peter Coffin

^ designates support as both a generous donor
 and Alliance member
 * designates support as an Alliance member
 exclusively



FINANCIALS

MANAGEMENT'S DISCUSSION & ANALYSIS



2017 SUMMARY

The Sustainability Accounting Standards Board's mission is to develop and disseminate sustainability accounting standards that help 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 objective is to support the work of the Standards Board and its staff, 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.

The organization operates in three program areas:

- Research and Standard Setting
- Market Outreach
- Education and Resources

The SASB Foundation funds the work of the Standards Board and The Foundation through two principal sources: grants and earned income from products and Alliance membership fees. In 2017, the organization returned to an operating surplus after three years of operating losses and it increased net assets by \$1.8 million.

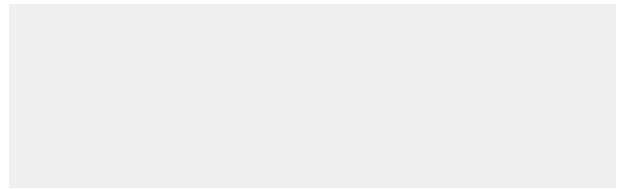
The organization successfully navigated a challenging year of program growth and transitions while working with a reduced budget and limited resources. The expense base was reduced to \$7 million (from \$8.7 million in 2016) to align with documented cash commitments for 2017.

Growth was achieved in both grant commitments and product sales, with membership and earned income supporting 11% of the expense base, versus 5% in 2016. By year end, the organization had generated total revenues of \$8.5 million and posted an operating surplus of \$2.2 million, moving the organization back to positive net assets of \$486,000, versus \$(1.3) million in 2017. The cash balance at year-end was \$1.6 million.

In early 2017, the organization adopted a financial model to transition to diversified and self-sustaining annual revenues within five years. A capital campaign was designed to raise the transition capital needed to cover the difference between annual expenses and annual revenues, with an ambitious \$30 million goal that would also provide for building a significant operating reserve.

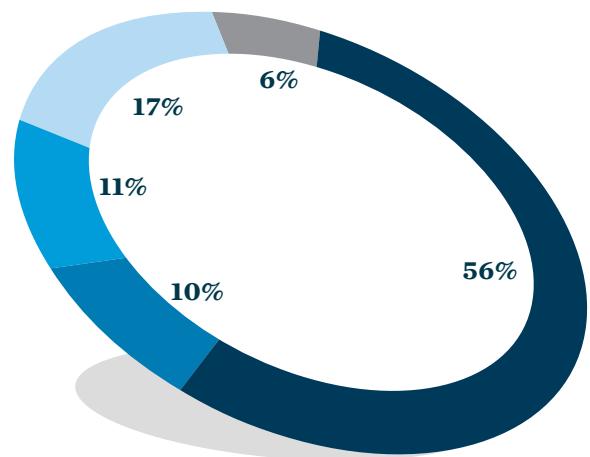
The campaign raised \$7 million in this first year. While this was slower progress against the campaign goal than originally expected, growth in annual revenues was significant and ahead of plan, which reduces the need for transition capital well below the original \$30 million goal. The remaining transition capital needed is on the order of \$7-10 million over the next several years, which is achievable and aligns with SASB's past fundraising performance.

While there are still concerning aspects of the organization's financial condition (uncertainty in philanthropic cash flows and \$3 million in zero-interest loans due at the end of 2020), the organization is moving in the right direction, with a reduced expense base, an operating surplus after three years of deficits, and a return to positive net assets.



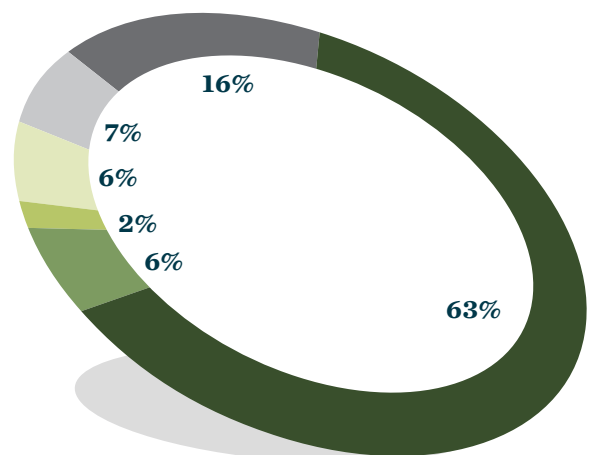
Uses of Funds 2017 (cash basis)

Standards	3,976,846
Outreach	730,041
Education & Partnerships	765,382
G&A	1,199,362
Fundraising	381,492
Total	7,053,122



Sources of Funds 2017 (cash basis)

Foundation Grants	5,699,859
Corporation Grants	528,000
Individual Donations	164,865
In-Kind Contributions	568,880
Earned Income	643,859
Other Income	16,168
Prior Year Cash Carryover	1,500,000
Total	9,121,631





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 discusses highlights of the SASB's activities and financial position as presented in the accompanying audited financial statements.

2017 Revenue: Earned Income Products

Revenue recognized from earned income is presented on the Statement of Activities and totaled \$756,549 in 2017 vs. \$352,742 in 2016. Revenue recognition lags product sales, since the service period for many products covers 12 months and goes into the next fiscal year.

2017 saw significant growth in sales, with the total reaching nearly \$1 million (vs. \$400K last year). The growth is due to several factors:

- The SASB Alliance membership program was launched in 2017
- Navigator and FSA Level II, which were both launched toward the end of 2016, experienced a full year of sales in 2017
- Increasing interest in SASB, as codification approaches, is spurring other organizations to license SASB standards and to educate their staff

	2017 Sales	2016 Sales
Education	\$841,884	\$312,733
FSA Exam (Levels I & II)	\$163,190	\$128,713
Publications	\$18,934	\$4,920
SASB Symposium	\$320,290	\$179,100
SASB Alliance	\$339,470	\$0
Resources	\$140,964	\$83,904
Navigator	\$54,870	\$13,000
Licensing Partnerships	\$86,094	\$70,904
Total	\$982,848	\$396,637

Education

Fundamentals of Sustainability Accounting (FSA)

The FSA credential educates professionals on the newly evolving practice of sustainability accounting, helping them to see the role it plays in accounting, finance, sustainability, and law and policy. The credential can be earned by passing both Level I (principles) and Level II (practices) exams. The Level I exam was released in fall 2015 and Level II was released in fall 2016. By the end of 2017, over 600 candidates had registered for the FSA program, over 550 people had taken the Level I exam to begin the credential process, 200 had taken the Level II exam, and 150 passed both exams and were awarded the credential.

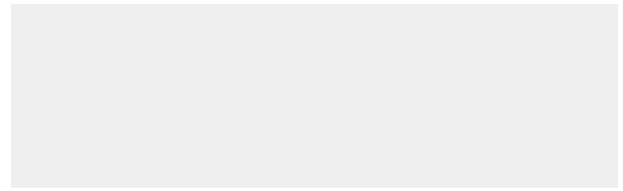
FSA test takers live in 39 countries, with 70% in the US, 8% in Canada, and the rest living around the world. The professional mix at the end of 2017 was:

23%	Consulting
31%	Investor
14%	Corporate Sustainability
8%	Finance/Accounting
5%	Professor
4%	Student
15%	Other

30% of test takers are less than 7 years into their career, 44% are 7-20 years into their career, and 26% are 20+ years into their career.

Publications Library

The Publications Library allows search and download of SASB research, documents, and guides. There are both free and paid levels of access, and SASB Alliance members get a free subscription for premium access.



SASB Symposium

SASB held its second annual conference, the SASB Symposium, at Fordham University on November 30. The conference again sold out, with nearly 400 attendees from the fields of sustainability, investment, accounting and corporate reporting, and legal/regulatory. Symposium revenue included ticket fees and sponsorship revenue.

SASB Alliance Membership Program

The SASB Alliance Membership Program launched in May. It provides a forum for education and community among organizations and professionals that wish to help shape and advance the field of sustainability accounting. The Alliance grew to 36 organizational members and 68 individual members by year end.

Resources

Navigator

The user base for Navigator, a subscription-based research and information tool, continues to grow. In 2017 the application was updated to improve the usability of company searches that allow users to consult the appropriate industry standards and their evidence base, and to compare companies on disclosure of SASB topics and metrics.

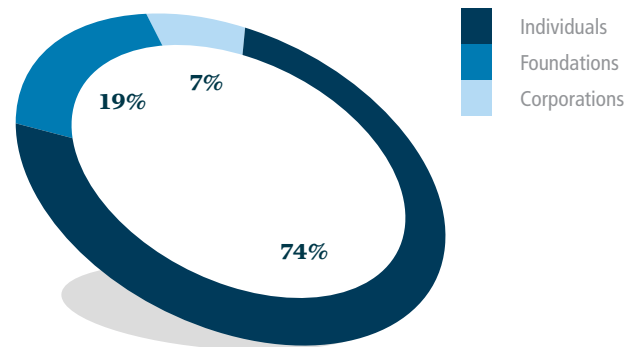
Licensing

Licensing revenue includes licensing of SICS®, SASB standards, and related data for integration into data platforms and investor tools, investible products, sustainability management and reporting software, and services that make use of, or reference, SASB intellectual property.

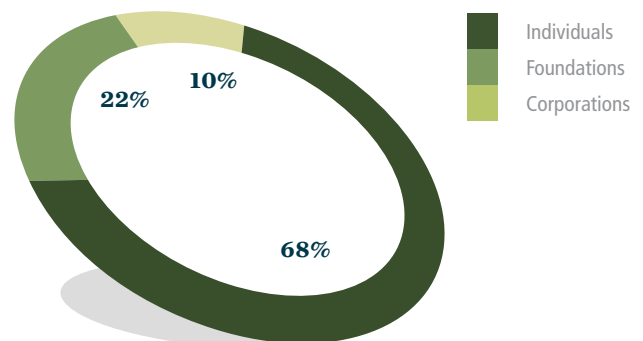
2017 Revenue: Grants

Grant commitments grew in 2017, with \$6.5 million committed in 2017 versus just \$2.6 million in 2016. Grant revenue comes from foundations, corporations, and individuals. SASB received the majority of its grant support from foundations in 2017 (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, although the base of non-board individual contribution grew in 2017. This is an area of expansion for the organization.

2017 Donors (31% increase)



2016 Donors



FINANCIALS



2017 Expenses

Program expenses include the staff and vendor costs associated with Research & Standard Setting; Market Outreach; and Education & Resources. 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 un-allocable costs, such as expenses associated with the board and purely corporate expenses.

2017 expenses declined from \$8.7 million in 2016 to \$7 million in 2017. The decline helped to bring expenses back in line with revenues and generate an operating surplus after three years of deficits.

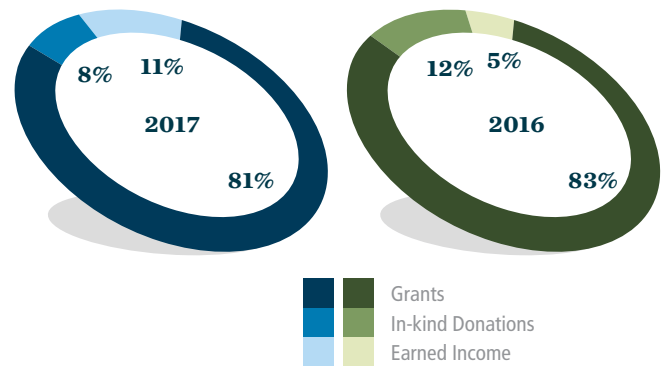
Key components of the savings were:

- Reduced travel, as the year-long consultation period concluded in Q1 and the staff shifted focus to working with the Standards Board to examine feedback and propose changes to the provisional standards
- Reduced vendor spending, which had been significant the year before, from work on the organization’s business model and a 2016 awareness campaign
- Headcount shifts and reductions
- Reduced cost of earned revenue on the SASB Symposium, due to more favorable facility and event expenses at Fordham University

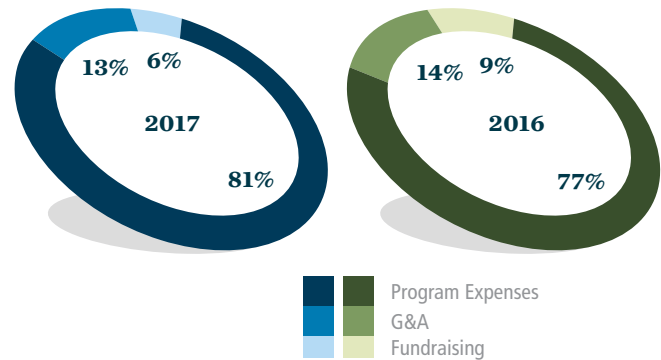
The following charts showing operating revenues and program and support costs for the past two years:

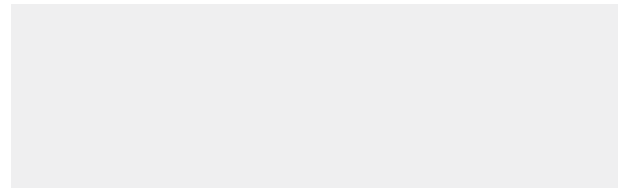
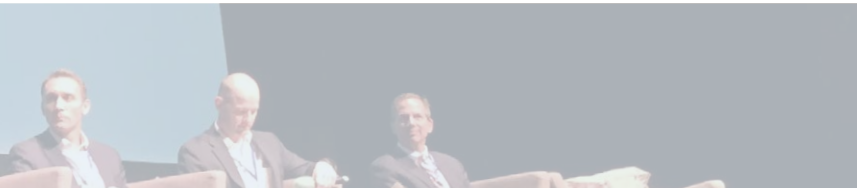
Comparison with Prior Year

Sources Of Operating Revenue	2017	2016
Grants	81%	83%
In-kind Donations	8%	12%
Earned Income	11%	5%
Other Income	0%	0%



Expenses	2017	2016
Program Expenses	81%	77%
G&A	13%	14%
Fundraising	6%	9%





STATEMENT OF FINANCIAL POSITION

Net assets increased by \$1.8 million, moving from \$(1.3) million to \$486,915. Improvements included a \$400K increase in cash balance and a \$1.5 million increase in grants receivables. Loans payable remained at \$3 million (zero interest loans due December 31, 2020) and accrued payroll liabilities (largely accrued PTO) increased by \$188K.

OUTLOOK FOR 2018

SASB made strong progress on its planned financial model and is on track to achieve self-sustaining annual revenues by 2021. Annual revenues from earned income and grants are growing faster than the original, conservative forecast and will contribute to debt repayment. Fundraising work begun in 2017 is paying off, with significant commitments documented in the first months of 2018—\$14 million documented by May 2018. Many of these grants represent new or increased gifts and many are multi-year commitments. At the time of publishing, the organization had committed funds for 73% of next year's budget (vs. just 40% at the same time last year).

2018 Priorities

SASB has four major priorities for 2018:

- Codifying the standards
- Promoting investor and corporate use of the codified standards
- Responding to global interest in the standards
- Continuing and accelerating progress toward diverse and sustaining revenues

Codifying the standards

The SASB Standards Board has completed a period of public comment on proposed changes to the provisional standards. The research team has been working to support the SASB's consideration of the

feedback and its decision-making on the final set of codified standards, to be voted on and published (in print and online) in the fall.

Promoting investor and corporate use of the codified standards

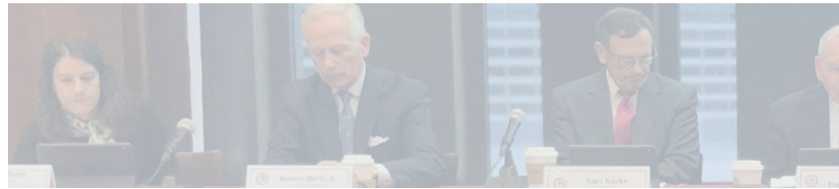
SASB engaged investors and corporations in 2017 for feedback on the standards and engagement in the standards-setting process. In 2018 the organization will focus its efforts on asking both groups to implement the standards and to making such use visible.

Responding to global interest in the standards

Nearly 50% of standards downloads come from outside the US, as market participants worldwide recognize that the SASB standards, because they are industry-based and not country-based, have utility across the globe. SASB currently has US-based staff and boards, and it is considering the best ways to support global interest in the standards.

Achieving diverse and sustaining revenues

The organization continues a strong focus on building up the portion of the budget that comes from annual, sustaining revenues that are raised from a diverse set of funders and customers, which minimizes dependence on any one source. After achieving 26% of budget coverage from annual funding sources in 2017, SASB expects to reach 70% from annual funding sources in 2018—a huge and important shift.



CHALLENGES AND OPPORTUNITIES

Fundraising

Raising philanthropic dollars is challenging for any organization and SASB's market orientation makes it less known and less understood within traditional philanthropic circles. Most of SASB's support has come from one-time capital grants from foundations. However, the overall number of donors has grown by 32%, much of that stemming from annual individual funders, which aligns with our strategy of diversifying our revenues and broadening the base of donors.

Attracting and Retaining Staff

Achieving the SASB mission requires a highly capable and committed staff. SASB has continued to attract a talented staff and has worked to retain them in the face of the scarce resources and changing conditions common to ambitious startup enterprises. 2017 was a particularly challenging year, with a greatly reduced budget and significant changes to our internal operations stemming from the governance transition. Long-term SASB staff have made names for themselves in this space and some accepted opportunities from organizations with attractive opportunities in for-profit areas of sustainability reporting and ESG investing.

At the same time, SASB's successes and market momentum have given it a high profile and a strong reputation, which attracts top-tier talent for open positions. We have added talented fresh recruits to our existing staff, which allows a team with a blend of experience and fresh thinking and perspectives.

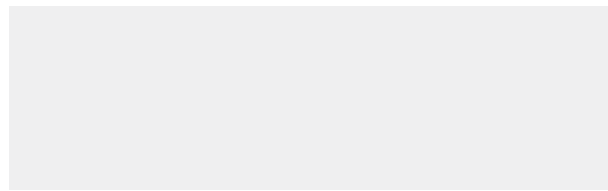
In 2018 we are focusing on staff engagement and have launched a number of task forces that are helping team members and managers to collaborate on efforts to retain the elements of our culture and operations that are valued and to change those that are not.

Conflict of Interest

As an independent 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, with the SASB Standards Board operating independently with authority for standards setting delegated by The SASB Foundation board, formalizes our long-standing practice of insulating standard-setting activities from funding considerations.

Confidentiality and Information Security

SASB stakeholders entrust SASB with the information SASB needs to understand an issue from multiple views and create cost-effective, decision-useful, and 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 its systems and processes should support that separation. In addition, systems must remain secure, with SASB noting and mitigating risk factors. SASB continues to monitor processes and systems to ensure the tightest possible management of data and information.



FINANCIAL STATEMENTS & AUDITOR'S NOTES

STATEMENT OF FINANCIAL POSITION

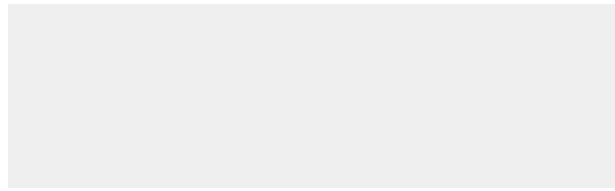
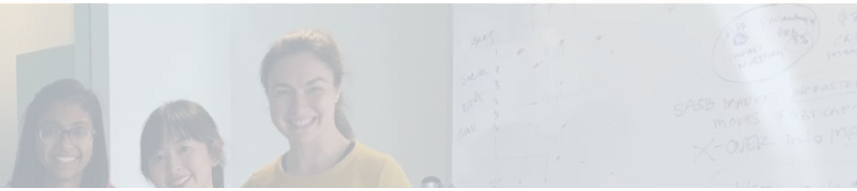
As of December 31	2017	2016
Assets		
Cash and cash equivalents	1,553,779	1,157,191
Grants and pledges receivable, net of discount	2,655,087	1,080,984
Prepaid expenses and other assets	181,726	63,286
Property and equipment, net	170,795	258,820
Other Assets	42,650	42,650
Total assets	4,604,037	2,602,931
Liabilities		
Accounts payable and accrued liabilities	254,542	458,673
Deferred and unearned income	273,960	76,951
Accrued payroll liabilities	588,620	400,533
Loan payable	3,000,000	3,000,000
Total liabilities	4,117,122	3,936,157
Net Asset		
Unrestricted	(2,163,072)	(4,427,223)
Temporarily restricted	2,649,987	3,093,997
Total net assets	486,915	(1,333,226)
Total Liabilities and Net Assets	4,604,037	2,602,931



FINANCIAL STATEMENTS & AUDITOR'S NOTES

STATEMENT OF ACTIVITIES

As of December 31	2017	2016
Revenue and support		
Foundation grants	1,066,999	1,135,500
Corporation grants		262,500
Individual donations	176,865	54,125
In-kind contributions	568,880	933,744
Earned income	756,549	352,742
Other income	16,168	6,296
Net assets released from restrictions	6,659,359	4,272,180
Total revenue and support	9,244,820	7,017,087
Expenses		
Program expenses	5,662,979	6,722,604
General and administrative	935,650	1,195,700
Fundraising	382,040	813,971
Total expenses	6,980,669	8,732,275
Change in unrestricted net assets	2,264,151	(1,715,188)
Changes in temporary restricted assets		
Foundation grants	6,245,000	1,095,300
Changes in discount on long-term receivables	(29,651)	29,013
Net assets released from restrictions	(6,659,359)	(4,272,180)
Increase (decrease) in temporary restricted net assets	(444,010)	(3,147,867)
Increase (decrease) in net assets	1,820,141	(4,863,055)
Net (deficit) assets at beginning of year	(1,333,226)	3,529,829
Net assets at end of year	486,915	(1,333,226)



FINANCIAL STATEMENTS & AUDITOR'S NOTES

STATEMENT OF CASH FLOWS

As of December 31	2017	2016
Operating activities		
Increase (decrease) in net assets	1,820,141	(4,863,055)
Prepaid expenses and other assets		
Depreciation	88,025	87,846
Change in discount on long-term receivables	29,651	(29,013)
Changes in:		
Grants and pledges receivable	(1,603,754)	822,696
Prepaid expenses and other assets	(118,440)	30,384
Accounts payable and accrued liabilities	(204,131)	337,777
Deferred and unearned income	197,009	15,681
Accrued payroll liabilities	188,087	14,280
Cash provided by (used for) operating activities	396,588	(3,583,404)
Investing activities		
Acquisition of property and equipment	-	(7,306)
Cash used for investing activities	-	(7,306)
Financing Activities		
Proceeds from loan payable	-	1,000,000
Cash provided by financing activities	-	1,000,000
Net increase (decrease) in cash and cash equivalents	396,588	(2,590,710)
Cash and cash equivalents at beginning of year	1,157,191	3,747,901
Cash and cash equivalent at end of year	1,553,779	1,157,191
Additional cash flow information:		
State registration taxes paid	150	150
Interest and finance charges paid	336	78



Notes to Financial Statements

December 31, 2017 and 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 10 sectors.

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.

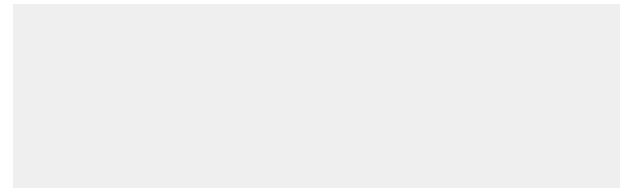
All donor-restricted support is reported as an increase in unrestricted or temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets 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, 2017 and 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

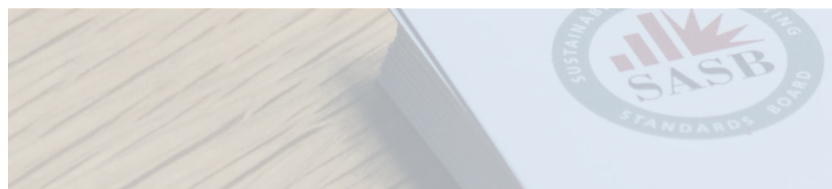
Contributed services and costs are reflected at the fair value of the contribution received in accordance with ASC 958.605.30-11 *Revenue Recognition of Not-For-Profit Entities*. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized 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 \$1,553,779 and \$1,157,191 at December 31, 2017 and 2016, respectively, consist of funds on deposit in multiple bank accounts. Checking account balances of \$346,079 and \$486,087 at December 31, 2017 and 2016, respectively, do not bear interest. Savings account balances of \$1,207,700 and \$671,104 at December 31, 2017 and 2016, respectively, bear interest at the rate of 0.08% to 0.10% per annum, respectively. Certain 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 \$2,655,087 and \$1,080,984 at December 31, 2017 and 2016, respectively, consist of amounts due from foundations, corporations, and individual donors. As of December 31, 2017, management considers all receivables to be fully collectible and has therefore not established an estimated allowance for uncollectible amounts. Bad debt expense for the year ended December 31, 2017, amounted to \$24,904. There were no bad debts for the year ended December 31, 2016. Grants and pledges receivable are expected to be collected as follows:



	2017	2016
Year ending December 31, 2017		793,855
Year ending December 31, 2018	1,085,943	290,000
Year ending December 31, 2019	968,333	
Year ending December 31, 2020	483,333	
Year ending December 31, 2021	150,000	
Total grants and pledges receivable	2,687,609	1,083,855
Less: Unamortized discount	(32,522)	(2,871)
Grants and pledges receivable (net of discount)	2,655,087	1,080,984

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 1.4% 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:

	2017	2016
Leasehold improvements	324,808	324,808
Trademark	71,884	71,884
Less: accumulated depreciation and amortization	(225,897)	(137,872)
	170,795	258,820

Depreciation and amortization expense amounted to \$88,025 and \$87,846 for the years ended December 31, 2017 and 2016, respectively. There were no dispositions during the years ended December 31, 2017 or 2016, respectively.

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, 2017, is \$18,910 per month and is subject to a 3% increase annually every June 1. Office rent expense amounted to \$221,292 and \$195,039 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments as of December 31, 2017, are as follows: 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 \$22,424 and \$87,367 for the years ended December 31, 2017 and 2016, respectively, and are reflected on the statement of functional expenses.

8. Contributed Support

During the years ended December 31, 2017 and 2016, 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 \$568,800 and \$933,744, 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, 2017 and 2016.

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 of 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 \$588,620 and \$400,533 at December 31, 2017 and 2016, respectively, and are reflected on the statements of financial position.

11. Loan Payable and Related Party Transactions

Loan payable of \$3,000,000 at December 31, 2017 and 2016, respectively, represents a noninterest-bearing loan from Bloomberg Philanthropies to be repaid as SASB raises sufficient funds from its contributed income activities. Michael Bloomberg has control over decisions at Bloomberg Philanthropies

and is currently the Chairman Emeritus of the Board at SASB. There was no interest expense for the years ended December 31, 2017 and 2016.

12. Net Assets

Unrestricted Net Assets

Unrestricted net deficit of (\$2,163,073) and (\$4,427,223) at December 31, 2017 and 2016, 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, 2017 and 2016.

Temporarily Restricted Net Assets

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

	2017	2016
Crowe Horwath LLP	-	\$ 50,000
Deloitte & Touche LLP	395,842	645,838
Doris Duke Charitable Foundation	-	125,000
F.B. Heron Foundation	-	137,500
Ford Foundation	150,000	125,000
Grantham Foundation	25,000	-
Moore Foundation	-	196,868
Morgan Stanley	-	50,000
The David & Lucille Packard Foundation	-	1,125,000
PriceWaterhouseCoopers LLP	-	125,000
Robertson Foundation	1,000,000	-
Rockefeller Foundation	-	374,995
Rockefeller Brothers Fund	91,667	141,667
Zegar Family Foundation	1,000,000	-
Board Pledges	20,000	-
Unamortized discount on long-term receivables	(32,522)	(2,871)
Total temporarily restricted net assets	2,649,987	3,093,997

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Restricted contributions to temporarily restricted net assets amounted to \$6,245,000 and \$1,095,300 for the years ended December 31, 2017 and 2016, respectively. Net assets released from restrictions amounted to \$6,659,359 and \$4,272,180 for the years ended December 31, 2017 and 2016, respectively. These amounts were transferred from temporarily restricted net assets to unrestricted net assets on the statements of activities and changes in net assets.

13. 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 \$282,500 and \$324,957 for the years ended December 31, 2017 and 2016, respectively. Employer contributions are subject to a vesting schedule in accordance with Internal Revenue Service regulations.

14. Fair Value Measurements

Composition of certain assets utilizing fair value measurements at December 31, 2017, is as follows:

	Totals	Level 1	Level 2	Level 3
Grants and pledges receivable	\$2,655,087	-	\$2,655,087	-
Prepaid expenses and other assets	\$181,726	-	-	\$181,726
Totals	\$2,836,813	-	2,655,087	\$181,726

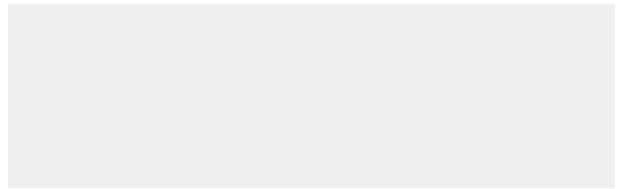
Composition of certain assets utilizing fair value measurements at December 31, 2016, is as follows:

	Totals	Level 1	Level 2	Level 3
Grants and pledges receivable	\$1,080,984	-	\$1,080,984	-
Prepaid expenses and other assets	\$63,286	-	-	\$63,286
Totals	\$1,144,270	-	\$1,080,984	\$63,286

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets are valued based on "unobservable inputs," such as a company's own estimates and pricing models. All level 3 assets identified above are based on historical cost basis figures.

15. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, SASB has evaluated subsequent events through April 26, 2018, 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 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, 2017.

Matthew Welch
SASB Foundation President



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