

Social Progress Imperative, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2016

(With Summarized Financial Information for December 31, 2015)

Social Progress Imperative. Inc.

Financial Statements

December 31, 2016

(With Summarized Financial Information for December 31, 2015)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Social Progress Imperative, Inc.

We have audited the accompanying financial statements of Social Progress Imperative, Inc. (SPI), which comprise the statement of financial position as of December 31, 2016; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPI as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited SPI's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font. The word "Rogers" is written in a larger, more prominent script, followed by a plus sign and the words "Company PLLC".

Vienna, Virginia
March 30, 2017

Social Progress Imperative, Inc.

Statement of Financial Position

December 31, 2016

(With Summarized Financial Information for December 31, 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,765,379	\$ 3,092,171
Contributions receivable	850,000	626,349
Prepaid expenses	<u>100,000</u>	<u>100,000</u>
Total current assets	2,715,379	3,818,520
Deposits	3,200	3,200
Contributions receivable, long-term, net	337,349	472,084
Property and equipment, net	<u>4,237</u>	<u>3,186</u>
Total assets	<u><u>\$ 3,060,165</u></u>	<u><u>\$ 4,296,990</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,532	\$ 3,324
Accrued salaries and related benefits	<u>16,389</u>	<u>28,239</u>
Total liabilities	<u>19,921</u>	<u>31,563</u>
Net Assets		
Unrestricted	1,852,894	1,880,521
Temporarily restricted	<u>1,187,350</u>	<u>2,384,906</u>
Total net assets	<u>3,040,244</u>	<u>4,265,427</u>
Total liabilities and net assets	<u><u>\$ 3,060,165</u></u>	<u><u>\$ 4,296,990</u></u>

See accompanying notes.

Social Progress Imperative, Inc.

Statement of Activities
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenue and Support				
Contributions and grants	\$ 61,270	\$ 1,654,130	\$ 1,715,400	\$ 4,963,262
Contributed services and materials	454,130	-	454,130	81,400
Interest income	2,808	-	2,808	1,152
Other income	16,823	-	16,823	27,981
Net assets released from restrictions	2,851,686	(2,851,686)	-	-
Total revenue and support	3,386,717	(1,197,556)	2,189,161	5,073,795
Expenses				
Program services:				
Research	619,137	-	619,137	357,676
Communications and advocacy	1,025,358	-	1,025,358	532,633
Partner network	1,128,367	-	1,128,367	852,937
Total program services	2,772,862	-	2,772,862	1,743,246
Supporting services:				
Fundraising	188,723	-	188,723	151,890
Management and general	452,759	-	452,759	387,744
Total supporting services	641,482	-	641,482	539,634
Total expenses	3,414,344	-	3,414,344	2,282,880
Change in Net Assets	(27,627)	(1,197,556)	(1,225,183)	2,790,915
Net Assets, beginning of year	1,880,521	2,384,906	4,265,427	1,474,512
Net Assets, end of year	\$ 1,852,894	\$ 1,187,350	\$ 3,040,244	\$ 4,265,427

See accompanying notes.

Social Progress Imperative, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Program Services				Supporting Services			2016 Total	2015 Total
	Research	Communi- cations and Advocacy	Partner Network	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Payroll and benefits	\$ 441,068	\$ 236,010	\$ 285,842	\$ 962,920	\$ 148,925	\$ 249,446	\$ 398,371	\$ 1,361,291	\$ 1,132,787
Business expenses	-	100	114	214	-	13,844	13,844	14,058	14,593
Operations	28,724	473,227	20,747	522,698	15,504	24,491	39,995	562,693	89,985
Contract services and consultants	133,099	263,366	396,268	792,733	4,553	147,790	152,343	945,076	598,593
Travel	16,216	25,424	70,733	112,373	16,830	15,685	32,515	144,888	161,489
Meetings and events	30	27,231	6,338	33,599	2,911	1,503	4,414	38,013	13,413
Sub-grants	-	-	348,325	348,325	-	-	-	348,325	272,020
Total Expenses	\$ 619,137	\$ 1,025,358	\$ 1,128,367	\$ 2,772,862	\$ 188,723	\$ 452,759	\$ 641,482	\$ 3,414,344	\$ 2,282,880

See accompanying notes.

Social Progress Imperative, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (1,225,183)	\$ 2,790,915
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,916	3,379
Change in discount on long-term receivables	(15,265)	23,132
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(73,651)	73,651
Prepaid expenses	-	(60,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	208	(16,376)
Accrued salaries and related benefits	(11,850)	7,548
Grants payable	-	(135,500)
	(1,321,825)	2,686,749
Cash Flows from Investing Activity		
Purchases of property and equipment	(4,967)	-
Net cash used in investing activity	(4,967)	-
Net (Decrease) Increase in Cash and Cash Equivalents	(1,326,792)	2,686,749
Cash and Cash Equivalents, beginning of year	3,092,171	405,422
Cash and Cash Equivalents, end of year	\$ 1,765,379	\$ 3,092,171

See accompanying notes.

Social Progress Imperative, Inc.

Notes to Financial Statements
December 31, 2016

1. Nature of Operations

The Social Progress Imperative, Inc. (SPI) is a nonprofit organization, incorporated in November 2010 in the State of Delaware and located in Washington, D.C.

SPI's mission is to advance social progress by helping government, business, and civil society to collaborate and focus limited resources where they will make the greatest contribution to social progress. SPI changed its name from the Global Social Progress Initiative during 2013.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

SPI's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of SPI's general operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of SPI or through the passage of time.

Cash Equivalents

For the purpose of the statement of cash flows, SPI considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Contributions Receivable

Contributions receivable are recorded at their net realizable value. Amounts to be collected more than a year after the balance sheet date are recorded net of a present value discount. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the contributions are to be received. SPI provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the amounts are written off against the related allowance. At December 31, 2016, no allowance was recorded as management believes that all receivables are fully collectible.

Social Progress Imperative, Inc.

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment in excess of \$500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, which is generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Revenue Recognition

Contributions and foundation grants are recognized as revenue at their estimated net realizable value in the period in which they are received or promised. Contributions are considered to be available for use unless specifically restricted by the grantor or donor to one of SPI's programs or to a future year. Amounts received that are designated for a future period, or are restricted by the grantor or donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

All other revenues are recognized when earned.

Contributed Services and Materials

Contributed services and materials consist of specialized consulting and conference fees. Contributed services and materials are recorded at their fair market value the date the gifts are received, which are recorded in the accompanying statement of activities.

Functional Allocation of Expenses

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

Social Progress Imperative, Inc.

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SPI's 2015 financial statements, from which the summarized information was derived.

Recently Issued Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the year 2020.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the year 2018.

Subsequent Events

In preparing these financial statements, SPI has evaluated events and transactions for potential recognition or disclosure through March 30, 2017, the date the financial statements were available to be issued.

Social Progress Imperative, Inc.

Notes to Financial Statements
December 31, 2016

3. Concentrations

Credit Risk

Financial instruments that potentially subject SPI to significant concentrations of credit risk consist of cash and cash equivalents. SPI maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). SPI has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

Approximately 99% of SPI's revenue for the year ended December 31, 2016 was derived from a contribution awarded by three funders. SPI has no reason to believe that the relationship with these funders will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect SPI's ability to finance ongoing operations.

4. Contributions Receivable

Contributions receivable are due as follows at December 31, 2016:

Due in less than one year	\$ 850,000
Due in one to five years	<u>350,000</u>
Total contributions receivable	1,200,000
Less: present value discount (at 3.75%)	<u>(12,651)</u>
Contributions receivable, net	<u><u>\$ 1,187,349</u></u>

5. Property and Equipment

Property and equipment consists of the following at December 31, 2016:

Furniture and equipment	\$ 15,102
Less: accumulated depreciation	<u>(10,865)</u>
Property and equipment, net	<u><u>\$ 4,237</u></u>

Social Progress Imperative, Inc.

Notes to Financial Statements
December 31, 2016

6. Temporarily Restricted Net Assets

At December 31, 2016, temporarily restricted net assets totaled \$1,187,350, which were restricted for the Social Progress Index.

For the year ended December 31, 2016, \$2,851,686 was released from restrictions for the Social Progress Index by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors.

7. Retirement Plan

SPI has a defined-contribution retirement plan that covers all employees who have completed at least six months of service. Employer contributions are discretionary and are computed as 5% of the participant's compensation. For the year ended December 31, 2016, plan contributions totaled \$29,221.

8. Office Lease

SPI leases office space in Washington, DC under the terms of an operating lease that expires on July 31, 2017. The lease terms call for base rental payments of \$7,000 per month, plus a proportionate share of expenses. The lease shall be renewed automatically and extended for the same period as the original term with an annual escalation of 5%.

Occupancy expense totaled \$77,549 for the year ended December 31, 2016 and is included in the accompanying statement of functional expenses in the operations category.

9. Income Taxes

SPI is exempt from the payment of income taxes on its exempt activities under Internal Revenue Code Section 501(c)(3). At December 31, 2016, no tax provision was made, as SPI had no unrelated business income.

Management has evaluated SPI's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.