

**FINANCIAL STATEMENTS**

**INTERNATIONAL INITIATIVE FOR  
IMPACT EVALUATION, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2011  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2010**

# INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
International Initiative for Impact Evaluation, Inc.  
Washington, D.C.

We have audited the accompanying statement of financial position of the International Initiative for Impact Evaluation, Inc. (3ie) as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of 3ie's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from 3ie's financial statements for the year ended December 31, 2010 and, in our report dated April 19, 2011, we expressed an unqualified opinion on those statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 3ie's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 3ie as of December 31, 2011, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

March 27, 2012

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## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

<b>ASSETS</b>			
		<u><b>2011</b></u>	<u><b>2010</b></u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 22,863,536	\$ 6,788,407
Investments (Note 2)		100	2,020,493
Interest receivable		-	11,365
Grants receivable, current portion (Notes 3 and 6)		<u>13,725,803</u>	<u>10,074,677</u>
Total current assets		<u>36,589,439</u>	<u>18,894,942</u>
<b>FIXED ASSETS</b>			
Computer software		110,189	110,189
Less: Accumulated amortization		<u>(55,093)</u>	<u>(18,365)</u>
Net fixed assets		<u>55,096</u>	<u>91,824</u>
<b>OTHER ASSETS</b>			
Deposits		3,600	3,100
Grants receivable, net of current portion (Notes 3 and 6)		<u>18,431,046</u>	<u>6,127,246</u>
Total other assets		<u>18,434,646</u>	<u>6,130,346</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 55,079,181</u></b>	<b><u>\$ 25,117,112</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accrued liabilities (Note 9)		\$ <u>471,190</u>	\$ <u>309,511</u>
Total current liabilities		<u>471,190</u>	<u>309,511</u>
<b>NET ASSETS</b>			
Unrestricted		22,451,142	8,605,678
Temporarily restricted (Note 5)		<u>32,156,849</u>	<u>16,201,923</u>
Total net assets		<u>54,607,991</u>	<u>24,807,601</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 55,079,181</u></b>	<b><u>\$ 25,117,112</u></b>

See accompanying notes to financial statements.

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## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Grants and contributions (Note 6)	\$ 2,829,153	\$ 36,881,277	\$ 39,710,430	\$ 8,345,870
Conference	497,103	-	497,103	-
Investment income (Note 2)	44,783	-	44,783	27,261
Service income	234,767	-	234,767	73,745
Net assets released from donor restrictions (Note 5)	<u>20,926,351</u>	<u>(20,926,351)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>24,532,157</u>	<u>15,954,926</u>	<u>40,487,083</u>	<u>8,446,876</u>
<b>EXPENSES</b>				
Program Services	8,586,539	-	8,586,539	10,282,592
General and Administrative	<u>2,100,154</u>	<u>-</u>	<u>2,100,154</u>	<u>1,190,780</u>
Total expenses	<u>10,686,693</u>	<u>-</u>	<u>10,686,693</u>	<u>11,473,372</u>
Change in net assets	13,845,464	15,954,926	29,800,390	(3,026,496)
Net assets at beginning of year	<u>8,605,678</u>	<u>16,201,923</u>	<u>24,807,601</u>	<u>27,834,097</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 22,451,142</u></b>	<b><u>\$ 32,156,849</u></b>	<b><u>\$ 54,607,991</u></b>	<b><u>\$ 24,807,601</u></b>

See accompanying notes to financial statements.

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## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	2011			2010
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries and benefits (Notes 8 and 9)	\$ 1,110,583	\$ 395,953	\$ 1,506,536	\$ 525,529
Office expense (Note 7)	4,649	79,384	84,033	23,845
Professional fees (Note 9)	482,151	361,819	843,970	754,269
Management fee (Note 9)	-	868,619	868,619	498,600
Grants expense (Notes 4 and 9)	6,180,644	-	6,180,644	9,174,693
Conference and meeting expense	468,731	125,596	594,327	80,933
Training/printing	-	-	-	23,078
Travel (Note 9)	250,539	186,533	437,072	333,954
IT support for website	6,807	-	6,807	4,126
Financial fees	-	4,741	4,741	853
Recruitment fees	-	37,797	37,797	17,828
Amortization	36,728	-	36,728	18,365
Equipment	1,003	19,758	20,761	-
Miscellaneous	44,704	19,954	64,658	17,299
<b>TOTAL</b>	<b>\$ 8,586,539</b>	<b>\$ 2,100,154</b>	<b>\$ 10,686,693</b>	<b>\$ 11,473,372</b>

See accompanying notes to financial statements.

## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,800,390	\$ (3,026,496)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	36,728	18,365
Unrealized loss	4,077	16,809
Realized loss	-	19,868
Discount on long-term receivables	860,753	(373,055)
Foreign currency gains	(628,868)	-
(Increase) decrease in:		
Interest receivable	11,365	5,853
Grants receivable	(16,186,811)	4,862,707
Deposits	(500)	(3,100)
Increase (decrease) in:		
Accrued liabilities	161,679	116,217
Grants payable	<u>-</u>	<u>(163,089)</u>
Net cash provided by operating activities	<u>14,058,813</u>	<u>1,474,079</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(110,189)
Purchase of investments	(1,000,000)	(58,817)
Proceeds from sale of investments	<u>3,016,316</u>	<u>4,089,918</u>
Net cash provided by investing activities	<u>2,016,316</u>	<u>3,920,912</u>
Net increase in cash and cash equivalents	16,075,129	5,394,991
Cash and cash equivalents at beginning of year	<u>6,788,407</u>	<u>1,393,416</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 22,863,536</u></b>	<b><u>\$ 6,788,407</u></b>

See accompanying notes to financial statements.

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**INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization -**

The International Initiative for Impact Evaluation, Inc. (3ie) is a non-profit organization, incorporated in 2008 in the State of Delaware, and located in Washington, D.C with offices in India and the United Kingdom. 3ie's mission is increasing development effectiveness through better use of evidence in developing countries.

**Basis of presentation -**

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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 3ie's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

**Cash and cash equivalents -**

3ie considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, 3ie maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal. At December 31, 2010, total uninsured cash balances equaled \$21,969,188.

**Investments -**

Investments are recorded at their readily determinable market value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

**Grants receivable -**

Grants receivable that are expected to be collected within one year are recorded at their net realizable value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of the future cash flows. The discount on these amounts are computed using risk-adjusted interest rates applicable to the years in which the grants are received. Amortization of the discounts is included in grants and contributions revenue. Management considers all amounts to be fully collectible.

**Fixed assets -**

Fixed assets in excess of \$500 are capitalized and stated at cost. Computer software is amortized on a straight-line basis over the estimated useful lives of the related assets, generally three years. The cost of maintenance and repairs is recorded as expenses are incurred.



INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Income taxes -

3ie is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. 3ie is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, 3ie has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of 3ie and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of 3ie and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by 3ie. There were no permanently restricted net assets as of December 31, 2011.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Conditional pledges to give are recognized by 3ie when the conditions on which they depend are substantially met. In 2008, 3ie received a conditional promise to give up to \$10,000,000 from one donor. The promise is conditional on receipt of matching contributions of \$10,000,000. As of December 31, 2011, 3ie had completed \$4,000,000 of this match and received payment of \$4,000,000 of the pledge.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Foreign currency translation -

The U.S. Dollar is the functional currency for 3ie operations. Transactions in the currency other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position. The net exchange gains from foreign currency of \$628,868 for the year ended December 31, 2011 have been reported in grants and contributions revenue in the accompanying Statement of Activities and Change in Net Assets.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair value measurements -

3ie adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. 3ie accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2011:

	<u>Market Value</u>
<b>Money Market Funds</b>	<b>\$ <u>100</u></b>
Included in investment income are the following:	
Interest and dividends	\$ 48,860
Unrealized loss	<u>(4,077)</u>
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ <u>44,783</u></b>

**INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**3. GRANTS RECEIVABLE**

As of December 31, 2011, contributors to 3ie have made written promises to give totaling \$33,216,735. Grants due in more than one year have been recorded at the present value of the estimated cash flows using a discount rate of 3.25%.

Grants are due as follows at December 31, 2011:

Less than one year	\$ 13,725,803
One to five years	<u>19,490,932</u>
Total	33,216,735
Less: Discount to present value	<u>(1,059,886)</u>
<b>NET GRANTS RECEIVABLE</b>	<b><u>\$ 32,156,849</u></b>

**4. GRANT COMMITMENTS**

Grant commitments not yet authorized for payment due to timing and conditions of the grant awards have not been accrued and reported as liabilities. Grants will be expensed and paid as deliverables are met. Grant terms vary, and are payable at various times through 2014. Grants authorized and expended during the year ended December 31, 2011 totaled \$6,180,644. There were no outstanding grant payments due as of December 31, 2011.

The following is a summary of commitments and estimated years of payment as of December 31, 2011:

<u><b>Year Ended December 31,</b></u>	
2012	\$ 9,233,835
2013	3,131,944
2014	1,550,666
2015	225,493
2016	69,832
Thereafter	<u>34,916</u>
	<b><u>\$ 14,246,686</u></b>

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of time restricted, long-term grants receivable, totaling \$32,156,849 at December 31, 2011.

During the year ended December 31, 2011, \$20,926,351 of temporarily restricted net assets was released from donor restrictions through the passage of time.

**6. CONCENTRATION OF REVENUE AND RECEIVABLES**

Approximately 88% of 3ie's revenue for the year ended December 31, 2011, was derived from multi-year grants awarded by one international government agency and one private foundation. Approximately 91% of grant receivables is due from these two grantors as of December 31, 2011.

**INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**6. CONCENTRATION OF REVENUE AND RECEIVABLES (Continued)**

3ie has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect 3ie's ability to finance ongoing operations.

**7. LEASE COMMITMENTS**

In November 2010, 3ie signed a two-year lease for office space. The lease was amended in 2011 to expand the space in September 2011 and again in January 2012. Effective January 1, 2012, base rent is \$54,648 per year.

The following is a schedule of the future minimum lease payments:

<b>Year Ended December 31, 2012</b>	<b>\$ <u>50,094</u></b>
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Rent expense, which is included in office expense in the Statement of Functional Expenses, for the year ended December 31, 2011 was \$52,664.

**8. RETIREMENT PLAN**

3ie offers a 401(k) retirement plan in which employees may voluntarily contribute a percentage of wages, up to the legal maximum. Eligible employees (those who work 1000 hours or more in any calendar year) may participate in this plan effective with the first payroll after hire. 3ie will contribute three percent of the employee's earnings on a monthly basis up to the annual legal maximum. In addition, 3ie will contribute a profit sharing contribution equal to seven percent of the compensation of all eligible participants to share in allocations. Both the employee and employer contributions are immediately fully vested. 3ie's contributions to the plan during the year ended December 31, 2011 totaled \$25,919.

**9. MANAGEMENT AGREEMENT**

Effective November 2008, 3ie entered into a Memorandum of Understanding (MOU) with the Global Development Network (GDN). The MOU was amended to extend the agreement through November 14, 2015. Under this agreement, 3ie and GDN will collaborate in pursuing their shared objectives through the following:

- a) They will draw upon their expertise, experience and synergies from, and the sharing of exchange of information between, each other including the undertaking of joint activities or collaborative programs;
- b) 3ie will utilize GDN as a networking asset and intellectual partner in support of its activities and programs;
- c) GDN staff are seconded to 3ie to carry out 3ie activities and programs; and
- d) GDN will provide facilities and services, including office space, equipment and other services to 3ie.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

9. **MANAGEMENT AGREEMENT (Continued)**

3ie reimbursed GDN for the following services during the year ended December 31, 2011:

Management fee	\$ 868,619
3ie seconded staff salaries	669,161
Travel/Conference/Meeting Reimbursement Costs	682,155
Consultants / Reviewers	283,615
Other	<u>3,789</u>
	<b><u>\$ 2,507,339</u></b>

In addition, under the terms of the MOU 3ie paid GDN \$7,916,457 for grants; \$1,591,747 of these funds will be disbursed to grantees in fiscal year 2012. As of December 31, 2011, 3ie owed GDN \$175,276, which is included in accrued liabilities in the Statement of Financial Position.

10. **SUBSEQUENT EVENTS**

In preparing these financial statements, 3ie has evaluated events and transactions for potential recognition or disclosure through March 27, 2012, the date the financial statements were issued.