

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the International Initiative for Impact Evaluation, Inc. (3ie), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, 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 3ie as of December 31, 2015, and the change 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.

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Report on Summarized Comparative Information

We have previously audited 3ie's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 13, 2016

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 41,115,752	\$ 49,723,045
Investments	100	100
Accounts receivable	80,365	2,031
Grants receivable	22,285,998	20,256,095
Prepaid expenses	<u>13,433</u>	<u>23,772</u>
Total current assets	<u>63,495,648</u>	<u>70,005,043</u>
FIXED ASSETS		
Furniture and equipment	19,241	19,241
Computer software	155,904	137,621
Leasehold improvements	<u>151,545</u>	<u>136,842</u>
	326,690	293,704
Less: Accumulated depreciation and amortization	<u>(147,223)</u>	<u>(120,543)</u>
Net fixed assets	<u>179,467</u>	<u>173,161</u>
OTHER ASSETS		
Deposits	118,134	105,296
Grants receivable, net of current portion	<u>32,935,803</u>	<u>20,976,303</u>
Total other assets	<u>33,053,937</u>	<u>21,081,599</u>
TOTAL ASSETS	<u>\$ 96,729,052</u>	<u>\$ 91,259,803</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued liabilities	\$ 510,037	\$ 928,666
Due to GDN	-	310,738
Grants payable	432,640	391,622
Refundable advances	<u>466,631</u>	<u>86,230</u>
Total current liabilities	<u>1,409,308</u>	<u>1,717,256</u>
NET ASSETS		
Unrestricted	26,896,269	29,038,358
Temporarily restricted	<u>68,423,475</u>	<u>60,504,189</u>
Total net assets	<u>95,319,744</u>	<u>89,542,547</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,729,052</u>	<u>\$ 91,259,803</u>

See accompanying notes to financial statements.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 359,963	\$ 31,009,919	\$ 31,369,882	\$ 25,658,362
Conference	-	-	-	178,593
Interest income	90,815	-	90,815	101,752
Service income and other	413,556	-	413,556	157,721
Net assets released from donor restrictions	<u>23,090,633</u>	<u>(23,090,633)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>23,954,967</u>	<u>7,919,286</u>	<u>31,874,253</u>	<u>26,096,428</u>
EXPENSES				
Program Services	23,557,352	-	23,557,352	18,408,826
General and Administrative	<u>2,539,704</u>	<u>-</u>	<u>2,539,704</u>	<u>2,710,063</u>
Total expenses	<u>26,097,056</u>	<u>-</u>	<u>26,097,056</u>	<u>21,118,889</u>
Change in net assets	(2,142,089)	7,919,286	5,777,197	4,977,539
Net assets at beginning of year	<u>29,038,358</u>	<u>60,504,189</u>	<u>89,542,547</u>	<u>84,565,008</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,896,269</u>	<u>\$ 68,423,475</u>	<u>\$ 95,319,744</u>	<u>\$ 89,542,547</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries and benefits	\$ 2,443,482	\$ 1,232,698	\$ 3,676,180	\$ 2,977,026
Office expenses	24,701	378,754	403,455	193,371
Professional fees	1,703,161	233,095	1,936,256	2,231,190
Management fees	-	20,771	20,771	1,087,370
Honorarium	-	44,000	44,000	44,000
Grant expenses	18,470,952	-	18,470,952	12,932,779
Conference and meeting expenses	182,385	24,338	206,723	298,318
Travel	623,597	336,554	960,151	1,119,190
IT Support for website	-	-	-	3,612
Financial fees	1,054	16,967	18,021	11,310
Recruitment fees	-	10,403	10,403	24,609
Depreciation and amortization	-	26,680	26,680	4,500
Equipment	6,545	156,276	162,821	72,808
Miscellaneous	101,475	59,168	160,643	118,806
TOTAL	\$ 23,557,352	\$ 2,539,704	\$ 26,097,056	\$ 21,118,889

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,777,197	\$ 4,977,539
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	26,680	4,500
Discount on long-term receivables	737,423	129,943
Foreign currency loss	1,832,025	1,283,714
(Increase) decrease in:		
Accounts receivable	(78,334)	5,739
Advance to GDN	-	190,421
Grants receivable	(16,558,851)	(2,712,901)
Prepaid expenses	10,339	(15,707)
Deposits	(12,838)	(100,866)
Increase (decrease) in:		
Accrued liabilities	(418,629)	467,587
Due to GDN	(310,738)	310,738
Grants payable	41,018	(2,632,984)
Refundable advances	<u>380,401</u>	<u>86,230</u>
Net cash (used) provided by operating activities	<u>(8,574,307)</u>	<u>1,993,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(32,986)</u>	<u>(170,700)</u>
Net cash used by investing activities	<u>(32,986)</u>	<u>(170,700)</u>
Net (decrease) increase in cash and cash equivalents	(8,607,293)	1,823,253
Cash and cash equivalents at beginning of year	<u>49,723,045</u>	<u>47,899,792</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 41,115,752</u>	<u>\$ 49,723,045</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 to increase 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, 2014, 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, 2015, total uninsured cash balances equaled \$40,615,092. During 2015, 3ie recognized interest income totaling \$90,815.

Grants and accounts receivable -

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

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three years. Computer software is amortized on a straight-line basis over the estimated useful lives of the related assets, generally three years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the year ended December 31, 2015 totaled \$26,680.

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.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Uncertain tax positions -

For the year ended December 31, 2015, 3ie has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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, 2015.

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.

3ie receives grants and contracts from various grantors and funding agencies for direct or indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Refundable advance represent contract and other funding received in advance of incurring the related expense or completing the contractual obligation.

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 Statement of Financial Position. The net exchange loss from foreign currency of \$1,832,025 for the year ended December 31, 2015 has been reported in grants and contributions revenue in the accompanying Statement of Activities and Change in Net Assets.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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 measurement -

3ie adopted the provisions of FASB ASC 820, *Fair Value Measurement*. 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 measurement. 3ie accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. **GRANTS RECEIVABLE**

As of December 31, 2015, contributors to 3ie have made written promises to give totaling \$57,153,613. 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, 2015:

Less than one year	\$ 22,285,998
One to five years	<u>34,867,615</u>
Total	57,153,613
Less: Discount to present value	<u>(1,931,812)</u>
NET GRANTS RECEIVABLE	<u>\$ 55,221,801</u>

3. **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 2019. Grants authorized and expended during the year ended December 31, 2015 totaled \$18,470,952. As of December 31, 2015, 3ie has outstanding grant payments totaling \$432,640.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. GRANT COMMITMENTS (Continued)

The following is a summary of commitments and estimated years of payment as of December 31, 2015:

Year Ending December 31,

2016	\$ 19,139,858
2017	6,617,838
2018	4,113,203
2019	<u>287,810</u>
	<u>\$ 30,158,709</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Program Services	\$ 59,545,419
Time Restricted	<u>8,878,056</u>
	<u>\$ 68,423,475</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program Services	\$ 16,079,480
Passage of Time	<u>7,011,153</u>
	<u>\$ 23,090,633</u>

5. CONCENTRATION OF REVENUE AND RECEIVABLES

Approximately 89% of 3ie's revenue for the year ended December 31, 2015 was derived from multi-year grants awarded by one international government agency and one private foundation. Approximately 90% of grants receivables is due from these two grantors as of December 31, 2015.

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.

6. LEASE COMMITMENTS

In October 2015, 3ie signed a forty month lease agreement for office space located in Washington D.C., expiring on March 31, 2019. The monthly rental payments total \$10,906 with an annual increase of 3%.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. LEASE COMMITMENTS (Continued)

In September 2014, 3ie entered into a nine-year lease for office space in New Delhi, India with an option to terminate after every three years with no penalty. The monthly rental payments total \$11,064 with an increase of 15% every three years.

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

Years Ending December 31,

2016	\$ 264,532
2017	274,794
2018	291,794
2019	164,511
2020	160,315
Thereafter	<u>468,222</u>
	<u>\$ 1,624,168</u>

Rent expense, which is included in office expense in the Statement of Functional Expenses, for the year ended December 31, 2015 was \$306,667.

7. 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 1,000 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, 2015 totaled \$104,936.

8. MANAGEMENT AGREEMENT

3ie has a management agreement with the London School of Hygiene & Tropical Medicine (LSHTM) that will remain in effect until September 5, 2017. Under this agreement, LSHTM will employ qualified personnel to manage the London office on behalf of 3ie to carry out activities and programs.

3ie reimbursed LSHTM for the following services during the year ended December 31, 2015:

3ie seconded staff salaries, benefits including fees	\$ 679,110
Office rent	50,387
Other miscellaneous expenses	<u>27,357</u>
	<u>\$ 756,854</u>

As of December 31, 2015, 3ie has an outstanding liability balance due to LSHTM totaling \$136,702 for last quarter of 2015 unpaid salary expense pending reconciliation of amounts with LSHTM.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

9. MISCELLANEOUS EXPENSES

The miscellaneous expenses appearing in the accompanying Statement of Functional Expenses were comprised of the following at December 31, 2015:

<u>Expense Category</u>	
Insurance - Commercial and Workers Compensation	\$ 5,365
Insurance - Directors and Officers	9,616
Miscellaneous	1,170
Publications	43,538
Subscriptions	81,211
Office Supplies	<u>19,743</u>
	<u>\$ 160,643</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, 3ie has evaluated events and transactions for potential recognition or disclosure through April 13, 2016, the date the financial statements were issued.