

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2016, with Summarized Financial Information for 2015	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2016, with Summarized Financial Information for 2015	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2016, with Summarized Financial Information for 2015	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2016, with Summarized Financial Information for 2015	7
NOTES TO FINANCIAL STATEMENTS	8 - 13



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, 2016, 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, 2016, 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFPCA.COM

Report on Summarized Comparative Information

We have previously audited 3ie's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 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.

Gelman Rosenberg & Freedman

April 26, 2017

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 37,984,659	\$ 41,115,752
Investments	-	100
Accounts receivable	57,285	80,365
Grants receivable	21,931,115	22,285,998
Prepaid expenses	<u>69,577</u>	<u>13,433</u>
Total current assets	<u>60,042,636</u>	<u>63,495,648</u>
FIXED ASSETS		
Furniture and equipment	19,241	19,241
Computer software	160,492	155,904
Leasehold improvements	<u>151,545</u>	<u>151,545</u>
	331,278	326,690
Less: Accumulated depreciation and amortization	<u>(177,442)</u>	<u>(147,223)</u>
Net fixed assets	<u>153,836</u>	<u>179,467</u>
OTHER ASSETS		
Deposits	118,134	118,134
Grants receivable, net of current portion	<u>18,227,384</u>	<u>32,935,803</u>
Total other assets	<u>18,345,518</u>	<u>33,053,937</u>
TOTAL ASSETS	<u>\$ 78,541,990</u>	<u>\$ 96,729,052</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued liabilities	\$ 612,937	\$ 510,037
Grants payable	1,128,704	432,640
Refundable advances	<u>399,418</u>	<u>466,631</u>
Total current liabilities	<u>2,141,059</u>	<u>1,409,308</u>
NET ASSETS		
Unrestricted	27,330,073	26,896,269
Temporarily restricted	<u>49,070,858</u>	<u>68,423,475</u>
Total net assets	<u>76,400,931</u>	<u>95,319,744</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 78,541,990</u>	<u>\$ 96,729,052</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 491,582	\$ 11,243,169	\$ 11,734,751	\$ 33,201,907
Interest income	118,581	-	118,581	90,815
Service income and other	305,122	-	305,122	413,556
Net assets released from donor restrictions	<u>25,719,593</u>	<u>(25,719,593)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>26,634,878</u>	<u>(14,476,424)</u>	<u>12,158,454</u>	<u>33,706,278</u>
EXPENSES				
Program Services	23,520,984	-	23,520,984	23,557,352
General and Administrative	<u>2,680,090</u>	<u>-</u>	<u>2,680,090</u>	<u>2,539,704</u>
Total expenses	<u>26,201,074</u>	<u>-</u>	<u>26,201,074</u>	<u>26,097,056</u>
Change in net assets before other item	<u>433,804</u>	<u>(14,476,424)</u>	<u>(14,042,620)</u>	<u>7,609,222</u>
OTHER ITEM				
Exchange rate loss	<u>-</u>	<u>4,876,193</u>	<u>4,876,193</u>	<u>1,832,025</u>
Change in net assets	433,804	(19,352,617)	(18,918,813)	5,777,197
Net assets at beginning of year	<u>26,896,269</u>	<u>68,423,475</u>	<u>95,319,744</u>	<u>89,542,547</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,330,073</u>	<u>\$ 49,070,858</u>	<u>\$ 76,400,931</u>	<u>\$ 95,319,744</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries and benefits	\$ 2,709,837	\$ 1,467,773	\$ 4,177,610	\$ 3,676,180
Office expenses	29,590	346,830	376,420	403,455
Professional fees	1,288,375	265,945	1,554,320	1,936,256
Management fees	-	-	-	20,771
Honorarium	-	39,000	39,000	44,000
Grant expenses	18,640,611	-	18,640,611	18,470,952
Conference and meeting expenses	147,013	15,253	162,266	206,723
Travel	591,749	307,713	899,462	960,151
Financial fees	665	17,281	17,946	18,021
Recruitment fees	718	51,779	52,497	10,403
Depreciation and amortization	-	30,219	30,219	26,680
Equipment	7,283	85,464	92,747	162,821
Miscellaneous	105,143	52,833	157,976	160,643
TOTAL	\$ 23,520,984	\$ 2,680,090	\$ 26,201,074	\$ 26,097,056

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (18,918,813)	\$ 5,777,197
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	30,219	26,680
Discount on long-term receivables	(936,105)	737,423
(Increase) decrease in:		
Accounts receivable	23,080	(78,334)
Grants receivable	15,999,407	(14,726,826)
Prepaid expenses	(56,144)	10,339
Deposits	-	(12,838)
Increase (decrease) in:		
Accrued liabilities	102,900	(418,629)
Due to GDN	-	(310,738)
Grants payable	696,064	41,018
Refundable advances	<u>(67,213)</u>	<u>380,401</u>
Net cash used by operating activities	<u>(3,126,605)</u>	<u>(8,574,307)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,588)	(32,986)
Proceeds from sale of investments	<u>100</u>	<u>-</u>
Net cash used by investing activities	<u>(4,488)</u>	<u>(32,986)</u>
Net decrease in cash and cash equivalents	(3,131,093)	(8,607,293)
Cash and cash equivalents at beginning of year	<u>41,115,752</u>	<u>49,723,045</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 37,984,659</u>	<u>\$ 41,115,752</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2015, 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, 2016, total uninsured cash balances equaled \$37,483,697. During 2016, 3ie recognized interest income totaling \$118,581.

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 are 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. Accordingly, an allowance for doubtful accounts has not been established.

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 are incurred. Depreciation and amortization expense for the year ended December 31, 2016 totaled \$30,219.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 -

For the year ended December 31, 2016, 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, 2016.

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.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 Statement of Financial Position. The net exchange loss from foreign currency of \$4,876,193 for the year ended December 31, 2016, has been reported in Other Item 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.

New accounting pronouncements -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of 3ie's financial statements, it is not expected to alter 3ie's reported financial position activities.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. **GRANTS RECEIVABLE**

As of December 31, 2016, contributors to 3ie have made written promises to give totaling \$41,154,206. Grants due in more than one year have been recorded at the present value of the estimated cash flows using an effective interest rate of 3.25% to 3.50%.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2016:

Less than one year	\$ 21,931,115
One to five years	<u>19,223,091</u>
Total	41,154,206
Less: Discount to present value	<u>(995,707)</u>
NET GRANTS RECEIVABLE	<u>\$ 40,158,499</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, 2016 totaled \$18,640,611. As of December 31, 2016, 3ie has outstanding grant payments totaling \$1,128,704.

The following is a summary of commitments and estimated years of payment as of December 31, 2016:

<u>Year Ending December 31,</u>	
2017	\$ 16,823,174
2018	5,993,396
2019	1,338,308
2020	<u>153,723</u>
	<u>\$ 24,308,601</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Program Services	\$ 41,614,956
Time Restricted	<u>7,455,902</u>
	<u>\$ 49,070,858</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	\$ 18,992,095
Passage of Time	<u>6,727,498</u>
	<u>\$ 25,719,593</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

5. CONCENTRATION OF REVENUE AND RECEIVABLES

Approximately 89% of 3ie's revenue for the year ended December 31, 2016 was derived from multi-year grants awarded by three donors. Approximately 92% of grants receivables is due from these three grantors as of December 31, 2016.

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%.

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.

3ie has a lease agreement with the London School of Hygiene & Tropical Medicine (LSHTM) to rent office space in London that will remain in effect until September 5, 2017.

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

<u>Years Ending December 31,</u>	<u>New Delhi</u>	<u>Washington, DC</u>	<u>London</u>	<u>Total</u>
2017	\$ 139,405	\$ 134,773	\$ 32,687	\$ 306,865
2018	152,681	138,479	-	291,160
2019	152,681	35,491	-	188,172
2020	160,315	-	-	160,315
2021	175,583	-	-	175,583
Thereafter	<u>292,639</u>	<u>-</u>	<u>-</u>	<u>292,639</u>
	<u>\$ 1,073,304</u>	<u>\$ 308,743</u>	<u>\$ 32,687</u>	<u>\$ 1,414,734</u>

Rent expense, which is included in office expense in the Statement of Functional Expenses, for the year ended December 31, 2016 was \$274,190.

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, 2016 totaled \$102,081.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

8. **MANAGEMENT AGREEMENT**

3ie has a management agreement and lease 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, 2016:

3ie seconded staff salaries, benefits including fees	\$	603,327
Office rent		48,493
Other miscellaneous expenses		<u>19,160</u>
	\$	<u>670,980</u>

As of December 31, 2016, 3ie has an outstanding liability balance due to LSHTM totaling \$151,914 for the last quarter of 2016; unpaid salary expense pending reconciliation of amounts with LSHTM.

9. **MISCELLANEOUS EXPENSES**

The miscellaneous expenses appearing in the accompanying Statement of Functional Expenses were comprised of the following at December 31, 2016:

<u>Expense Category</u>		
Insurance - Commercial and Workers Compensation	\$	14,271
Insurance - Directors and Officers		12,437
Miscellaneous		165
Publications		27,854
Subscriptions		90,265
Office Supplies		<u>12,984</u>
	\$	<u>157,976</u>

10. **SUBSEQUENT EVENTS**

In preparing these financial statements, 3ie has evaluated events and transactions for potential recognition or disclosure through April 26, 2017, the date the financial statements were issued.