

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 18, 2018

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,851,438	\$ 37,984,659
Accounts receivable	21,633	57,285
Grants receivable	18,724,347	21,931,115
Prepaid expenses	17,359	69,577
Total current assets	<u>57,614,777</u>	<u>60,042,636</u>
FIXED ASSETS		
Furniture and equipment	19,241	19,241
Computer software	160,492	160,492
Leasehold improvements	151,545	151,545
	331,278	331,278
Less: Accumulated depreciation and amortization	(209,024)	(177,442)
Net fixed assets	<u>122,254</u>	<u>153,836</u>
NONCURRENT ASSETS		
Deposits	118,099	118,134
Grants receivable, net of current portion and present value discount	6,862,743	18,227,384
Total noncurrent assets	<u>6,980,842</u>	<u>18,345,518</u>
TOTAL ASSETS	<u>\$ 64,717,873</u>	<u>\$ 78,541,990</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 897,046	\$ 612,937
Grants payable	282,903	1,128,704
Refundable advances	112,968	399,418
Total current liabilities	<u>1,292,917</u>	<u>2,141,059</u>
NET ASSETS		
Unrestricted	27,749,552	27,330,073
Temporarily restricted	35,675,404	49,070,858
Total net assets	<u>63,424,956</u>	<u>76,400,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 64,717,873</u>	<u>\$ 78,541,990</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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 475,829	\$ 6,282,620	\$ 6,758,449	\$ 11,734,751
Interest income	216,333	-	216,333	118,581
Service income and other	171,627	-	171,627	305,122
Net assets released from donor restrictions	<u>21,064,803</u>	<u>(21,064,803)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>21,928,592</u>	<u>(14,782,183)</u>	<u>7,146,409</u>	<u>12,158,454</u>
EXPENSES				
Program Services	18,366,888	-	18,366,888	23,520,984
General and Administrative	<u>3,142,225</u>	<u>-</u>	<u>3,142,225</u>	<u>2,680,090</u>
Total expenses	<u>21,509,113</u>	<u>-</u>	<u>21,509,113</u>	<u>26,201,074</u>
Change in net assets before other item	<u>419,479</u>	<u>(14,782,183)</u>	<u>(14,362,704)</u>	<u>(14,042,620)</u>
OTHER ITEM				
Exchange rate gain (loss)	<u>-</u>	<u>1,386,729</u>	<u>1,386,729</u>	<u>(4,876,193)</u>
Change in net assets	419,479	(13,395,454)	(12,975,975)	(18,918,813)
Net assets at beginning of year	<u>27,330,073</u>	<u>49,070,858</u>	<u>76,400,931</u>	<u>95,319,744</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,749,552</u>	<u>\$ 35,675,404</u>	<u>\$ 63,424,956</u>	<u>\$ 76,400,931</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries and benefits	\$ 2,445,933	\$ 1,681,307	\$ 4,127,240	\$ 4,177,610
Office expenses	21,866	408,872	430,738	376,420
Professional fees	930,359	460,553	1,390,912	1,554,320
Honorarium	-	39,000	39,000	39,000
Grant expenses	14,175,558	-	14,175,558	18,640,611
Conference and meeting expenses	162,065	10,394	172,459	162,266
Travel	522,312	305,273	827,585	899,462
Financial fees	581	18,861	19,442	17,946
Recruitment fees	500	27,112	27,612	52,497
Depreciation and amortization	-	31,582	31,582	30,219
Equipment	2,416	101,667	104,083	92,747
Miscellaneous	105,298	57,604	162,902	157,976
TOTAL	\$ 18,366,888	\$ 3,142,225	\$ 21,509,113	\$ 26,201,074

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (12,975,975)	\$ (18,918,813)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	31,582	30,219
Discount on noncurrent grants receivable	(515,376)	(936,105)
Exchange rate (gain) loss	(1,386,729)	4,876,193
(Increase) decrease in:		
Accounts receivable	35,652	23,080
Grants receivable	16,473,514	11,123,214
Prepaid expenses	52,218	(56,144)
Deposits	35	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	284,109	102,900
Grants payable	(845,801)	696,064
Refundable advances	<u>(286,450)</u>	<u>(67,213)</u>
Net cash provided (used) by operating activities	<u>866,779</u>	<u>(3,126,605)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(4,588)
Proceeds from sale of investments	<u>-</u>	<u>100</u>
Net cash used by investing activities	<u>-</u>	<u>(4,488)</u>
Net increase (decrease) in cash and cash equivalents	866,779	(3,131,093)
Cash and cash equivalents at beginning of year	<u>37,984,659</u>	<u>41,115,752</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 38,851,438</u>	<u>\$ 37,984,659</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 30, 2016, 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, 2017, the value of uninsured cash held in banks was approximately \$38,000,000. During 2017, 3ie recognized interest income totaling \$216,333.

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; 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 acquisitions 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, 2017 totaled \$31,582.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017, 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, 2017.

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 qualifying direct and indirect expenses incurred in compliance with the donor-imposed restrictions (or through the satisfaction of time restrictions imposed by donors). Temporarily restricted grants and contributions received in excess of incurring qualifying direct and indirect expenses (or in advance of the specified time period) are shown as temporarily restricted net assets in the accompanying financial statements.

3ie receives revenue under contractual agreements which are treated as exchange transactions in the accompanying Statement of Activities and Change in Net Assets as "Service income". Service income is recorded as unrestricted when earned, and any funds received in advance of satisfying 3ie's obligations is recorded as a refundable advance liability in the accompanying Statement of Financial Position.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 currencies other than U.S. Dollars are translated into U.S. 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 gain resulting from the translation of 3ie's assets and liabilities (primarily from grants receivable from a single foreign funding agency) as of December 31, 2017 totaled \$1,386,729, and has been reported as an "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 (not yet adopted) -

In August 2016, the 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 entities. 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 in 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 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.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under accounting principles generally accepted in the United States of America (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. 3ie has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

New accounting pronouncements (not yet adopted) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

3ie plans to adopt the new ASUs at the respective required implementation dates.

2. **GRANTS RECEIVABLE**

As of December 31, 2017, contributors to 3ie have made written promises to give of which \$26,067,421 has yet to be collected. Grants due in more than one year have been recorded at the present value of the estimated cash flows using effective interest rates between 3.25% to 4.50%.

Following is a schedule of estimated collections as of December 31, 2017:

Less than one year	\$ 18,724,347
One to five years	<u>7,343,074</u>
Total	26,067,421
Less: Discount to present value	<u>(480,331)</u>
NET GRANTS RECEIVABLE	<u>\$ 25,587,090</u>

3. **GRANT COMMITMENTS**

Grants not yet authorized for payment to 3ie's grantees (due to timing and conditions of the grant awards) have not been expensed or accrued as liabilities in the accompanying financial statements. Grants will be expensed and paid as deliverables are met. Grant terms vary, and payments are scheduled at various times through calendar year 2021. Grants authorized (and expensed) during the year ended December 31, 2017 totaled \$14,175,558. As of December 31, 2017, 3ie had outstanding grants payable aggregating \$282,903.

The following is a summary of commitments and estimated years of award (and payment) as of December 31, 2017:

<u>Year Ending December 31,</u>	
2018	\$ 13,457,163
2019	5,652,697
2020	698,223
2021	<u>100,000</u>
	<u>\$ 19,908,083</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Program Services	\$ 32,366,101
Time Restricted	<u>3,309,303</u>
	<u>\$ 35,675,404</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	\$ 16,682,399
Passage of Time	<u>4,382,404</u>
	<u>\$ 21,064,803</u>

5. CONCENTRATION OF GRANTS RECEIVABLE

Approximately 92% of 3ie's grants receivable balance as of December 31, 2017 was due (under multi-year awards) from three major donors. 3ie has no reason to believe that relationships with these donors 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 40-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 leases space from the London School of Hygiene & Tropical Medicine (LSHTM) for its activities in London on a month-to-month basis.

The following is a schedule of the future minimum payments required under 3ie's long-term lease agreements:

<u>Years Ending December 31,</u>	<u>New Delhi</u>	<u>Washington, DC</u>	<u>London</u>	<u>Total</u>
2018	\$ 152,681	\$ 138,479	\$ -	\$ 291,160
2019	152,681	35,491	-	188,172
2020	160,315	-	-	160,315
2021	175,583	-	-	175,583
2022	175,583	-	-	175,583
Thereafter	<u>117,056</u>	<u>-</u>	<u>-</u>	<u>117,056</u>
	<u>\$ 933,899</u>	<u>\$ 173,970</u>	<u>\$ -</u>	<u>\$1,107,869</u>

Rent expense, which is included in "Office Expenses" in the accompanying Statement of Functional Expenses, for the year ended December 31, 2017 totaled \$336,746.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. RETIREMENT PLAN

3ie offers a 401(k) retirement plan (for its U.S. staff) 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. Both the employee and employer contributions are immediately fully vested. 3ie's contributions to the plan during the year ended December 31, 2017 totaled \$107,010.

8. MANAGEMENT AGREEMENT

3ie maintains a management agreement with the London School of Hygiene and Tropical Medicine (LSHTM) that will remain in effect until December 31, 2021. Under this agreement, LSHTM will employ qualified personnel to manage 3ie's activities and programs in the United Kingdom.

3ie reimbursed LSHTM for the following services during the year ended December 31, 2017:

3ie seconded staff salaries, benefits including fees	\$	503,554
Office rent		55,606
Other miscellaneous expenses		<u>18,507</u>
	\$	<u>577,667</u>

As of December 31, 2017, 3ie has an outstanding liability balance due to LSHTM aggregating \$364,713, for seconded staff salaries for the months of April through December 2017, and rent expense for the months of October 2017 through December 2017, pending reconciliation of amounts with LSHTM.

9. MISCELLANEOUS EXPENSES

Miscellaneous expenses reported in the accompanying Statement of Functional Expenses were comprised of the following during the year ended December 31, 2017:

Insurance - commercial and workers compensation	\$	15,725
Insurance - directors and officers		9,915
Publications		32,569
Subscriptions		91,528
Office supplies		<u>13,165</u>
	\$	<u>162,902</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, 3ie has evaluated events and transactions for potential recognition or disclosure through April 18, 2018, the date the financial statements were issued.