

**FINANCIAL STATEMENTS**



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

**FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018**

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

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## CPAs & ADVISORS

### 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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

April 21, 2020

## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,804,745	\$ 37,994,010
Investments	24,040,744	-
Accounts receivable	122,106	31,835
Grants and contributions receivable	10,729,180	7,072,015
Prepaid expenses	<u>24,250</u>	<u>4,692</u>
Total current assets	<u>46,721,025</u>	<u>45,102,552</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	19,241	19,241
Computer software	166,922	160,492
Leasehold improvements	<u>151,545</u>	<u>151,545</u>
	337,708	331,278
Less: Accumulated depreciation and amortization	<u>(252,083)</u>	<u>(232,931)</u>
Net fixed assets	<u>85,625</u>	<u>98,347</u>
<b>NONCURRENT ASSETS</b>		
Deposits	132,391	132,987
Grants and contributions receivable, net of current portion and present value discount	<u>5,635,974</u>	<u>8,562,024</u>
Total noncurrent assets	<u>5,768,365</u>	<u>8,695,011</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 52,575,015</u></b>	<b><u>\$ 53,895,910</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 898,474	\$ 795,706
Grants payable	113,396	1,352,179
Refundable advances	<u>57,534</u>	<u>75,303</u>
Total current liabilities	<u>1,069,404</u>	<u>2,223,188</u>
<b>NET ASSETS</b>		
Without donor restrictions	26,131,956	27,720,918
With donor restrictions	<u>25,373,655</u>	<u>23,951,804</u>
Total net assets	<u>51,505,611</u>	<u>51,672,722</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 52,575,015</u></b>	<b><u>\$ 53,895,910</u></b>

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, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 87,769	\$ 10,003,522	\$ 10,091,291	\$ 6,116,553
Interest and investment income, net of expenses of \$63,046 in 2019	453,005	155,225	608,230	309,525
Service income and other	450,526	-	450,526	323,349
Net assets released from donor restrictions	<u>8,904,596</u>	<u>(8,904,596)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,895,896</u>	<u>1,254,151</u>	<u>11,150,047</u>	<u>6,749,427</u>
<b>EXPENSES</b>				
Program Services	8,474,850	-	8,474,850	15,120,199
General and Administrative	<u>2,751,346</u>	<u>-</u>	<u>2,751,346</u>	<u>2,859,242</u>
Total expenses	<u>11,226,196</u>	<u>-</u>	<u>11,226,196</u>	<u>17,979,441</u>
Change in net assets before other items	<u>(1,330,300)</u>	<u>1,254,151</u>	<u>(76,149)</u>	<u>(11,230,014)</u>
<b>OTHER ITEMS</b>				
Exchange rate gain (loss)	-	167,700	167,700	(522,220)
Unsubstantiated subgrant expenses	<u>(258,662)</u>	<u>-</u>	<u>(258,662)</u>	<u>-</u>
Total other items	<u>(258,662)</u>	<u>167,700</u>	<u>(90,962)</u>	<u>(522,220)</u>
Change in net assets	(1,588,962)	1,421,851	(167,111)	(11,752,234)
Net assets at beginning of year	<u>27,720,918</u>	<u>23,951,804</u>	<u>51,672,722</u>	<u>63,424,956</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 26,131,956</u></b>	<b><u>\$ 25,373,655</u></b>	<b><u>\$ 51,505,611</u></b>	<b><u>\$ 51,672,722</u></b>

## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries and benefits	\$ 2,424,445	\$ 1,586,729	\$ 4,011,174	\$ 3,960,356
Occupancy and office expenses	19,500	386,904	406,404	431,646
Professional fees	1,251,570	233,603	1,485,173	1,768,070
Honorarium	-	42,000	42,000	32,000
Grant expenses	4,225,140	-	4,225,140	10,675,915
Conference and meeting expenses	104,925	71,921	176,846	145,884
Travel	374,379	235,098	609,477	639,067
Financial fees	30	15,404	15,434	18,722
Recruitment fees	-	6,032	6,032	4,395
Depreciation and amortization	-	19,152	19,152	23,907
Equipment	3,447	104,524	107,971	103,822
Miscellaneous	71,414	49,979	121,393	175,657
<b>TOTAL</b>	<b>\$ 8,474,850</b>	<b>\$ 2,751,346</b>	<b>\$ 11,226,196</b>	<b>\$ 17,979,441</b>

## INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (167,111)	\$ (11,752,234)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	19,152	23,907
Realized loss on sales of investments	4,618	-
Discount on noncurrent grants receivable	(101,000)	31,106
Exchange rate loss (gain)	(167,700)	522,220
(Increase) decrease in:		
Accounts receivable	(90,271)	(10,202)
Grants and contributions receivable	(462,415)	9,399,725
Prepaid expenses	(19,558)	12,667
Deposits	596	(14,888)
Increase (decrease) in:		
Accounts payable and accrued liabilities	102,768	(101,340)
Grants payable	(1,238,783)	1,069,276
Refundable advances	<u>(17,769)</u>	<u>(37,665)</u>
Net cash used by operating activities	<u>(2,137,473)</u>	<u>(857,428)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(6,430)	-
Purchase of investments	(35,468,376)	-
Proceeds from sale of investments	<u>11,423,014</u>	<u>-</u>
Net cash used by investing activities	<u>(24,051,792)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(26,189,265)	(857,428)
Cash and cash equivalents at beginning of year	<u>37,994,010</u>	<u>38,851,438</u>
<b>Cash and cash equivalents AT END OF YEAR</b>	<b><u>\$ 11,804,745</u></b>	<b><u>\$ 37,994,010</u></b>



# INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2018, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2019, 3ie adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way 3ie recognized revenue; however, the presentation and disclosures of revenue have been enhanced. 3ie has elected to opt out of all (or certain) disclosures not required for non public entities and also elected a modified retrospective approach for implementation.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

New accounting pronouncements adopted (continued) -

Also during 2019, 3ie adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. 3ie adopted the ASU using a modified prospective basis.

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.

Grants, contributions and accounts receivable -

Grants, contributions 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 contributions 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, 2019 totaled \$19,152.

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, 2019

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

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Revenue recognition -

Grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Grants and contributions qualifying as contributions are recorded by 3ie upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Grants and contributions are classified as "net assets with donor restrictions" when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Grants and contributions with donor restrictions are recognized as "without donor restrictions" only to the extent of actual (and allowable) direct and indirect expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grants and contributions received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

3ie also 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 "without donor restrictions" 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.

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, 2019 totaled \$167,700, 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.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of 3ie are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

3ie invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *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 Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

3ie plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2019:

	<u>Fair Value</u>
<b>Bonds</b>	<b><u>\$ 24,040,744</u></b>

Included in interest and investment income are the following at December 31, 2019:

Interest and dividends	\$ 675,894
Realized loss on sales of investments	(4,618)
Management fees	<u>(63,046)</u>
<b>TOTAL INVESTMENT INCOME, NET OF EXPENSES</b>	<b><u>\$ 608,230</u></b>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, 3ie's donors have made written promises to give of which \$16,775,591 had yet to be collected. Grants and contributions due beyond one year of the Statement of Financial Position date have been recorded at the net present value of their estimated cash flows using effective interest rates between 3.25% to 5.50%.

Following is a schedule of estimated collections as of December 31, 2019:

Less than one year	\$ 10,729,180
One to five years	<u>6,046,411</u>
Total	16,775,591
Less: Discount to present value	<u>(410,437)</u>
<b>NET GRANTS AND CONTRIBUTIONS RECEIVABLE</b>	<b><u>\$ 16,365,154</u></b>

Approximately 86% of 3ie's grants and contributions receivable balance as of December 31, 2019 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.

4. GRANT EXPENSES AND RELATED COMMITMENTS

Grants (that have been authorized for award) are recorded as an expense in 3ie's financial statements at the time of authorization, but expensed on an installment-basis as grantees are required to substantiate their costs incurred and related achievement of deliverables before future installments can be disbursed. Grants authorized (and expensed) during the year ended December 31, 2019 totaled \$4,225,140; as of December 31, 2019, 3ie had outstanding current grants payable aggregating \$113,396.

Grants that have not been authorized (due to timing and conditions of the grant awards) have not been expensed or accrued as liabilities in the accompanying financial statements; additionally those grant terms vary, and payments are scheduled at various times through calendar year 2023. The following is a summary of commitments (not recorded as expense and a liability in the accompanying financial statements) and estimated years of award (and payment) as of December 31, 2019:

**Year Ending December 31,**

2020	\$ 7,870,044
2021	612,950
2022	531,841
2023	<u>132,293</u>
	<b><u>\$ 9,147,128</u></b>

During the year ended December 31, 2019, 3ie determined that one of its subgrantees was unable to properly substantiate its program expenditures (as required under the requirements stipulated in the subgrant agreement).

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

4. GRANT EXPENSES AND RELATED COMMITMENTS (Continued)

3ie has continued to attempt to obtain financial reports from the subgrantee; it has also attempted to recover the advanced funds, however, to date it has been unsuccessful. Accordingly, all conditional (unrecorded) future installment payments due to the subgrantee under its agreement with 3ie have been suspended, and the total value of all prior cumulative advances made to the subgrantee were written-off as they were determined to be unsubstantiated (and not considered an allowable cost under 3ie's agreement with its donor). Accordingly, 3ie recognized \$258,662 of expenses as "Unsubstantiated Subgrant Expenses" in the Other Items section of the accompanying Statement of Activities and Change in Net Assets during the year ended December 31, 2019.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to Expenditure for Specified Purpose **\$ 25,373,655**

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

Purpose restrictions accomplished	\$ 6,972,012
Passage of time	<u>1,932,584</u>

**NET ASSETS RELEASED FROM DONOR RESTRICTIONS** **\$ 8,904,596**

6. LIQUIDITY AND AVAILABILITY

3ie regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. 3ie's financial assets available for use within one year of the Statement of Financial Position at December 31, 2019 are comprised of the following:

Cash and cash equivalents	\$ 11,804,745
Investments	24,040,744
Accounts receivable	122,106
Grants receivable - current portion	<u>10,729,180</u>
Subtotal financial assets available within one year	46,696,775
Less: Amounts unavailable for general expenditures within one year due to donor restriction - current portion of net assets with donor restrictions	<u>(20,807,086)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 25,889,689**

3ie has various sources of liquidity at its disposal which are available for general expenditures, liabilities, and other obligations as they come due.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**7. LEASE COMMITMENTS**

3ie maintained office space in Washington, D.C. under a 40-month agreement which expired on September 30, 2019; monthly rental payments under the lease totaled approximately \$11,850 per month during 2019. On August 29, 2019, 3ie entered into a 48-month lease for office space at a different location in Washington, D.C., commencing on October 1, 2019. The lease requires a monthly payment of \$10,310, with an annual increase of 2.50% each anniversary year.

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. At any point in time during the lease period, 3ie has the option of terminating the lease provided that it allows for six months notice to the landlord. Rental payments required under the lease started at \$11,064 per month, 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, D.C.</u>	<u>London</u>	<u>Total</u>
2020	\$ 160,315	\$ 124,488	\$ -	\$ 284,803
2021	175,583	127,600	-	303,183
2022	175,583	130,790	-	306,373
2023	<u>117,056</u>	<u>99,920</u>	<u>-</u>	<u>216,976</u>
	<u>\$ 628,537</u>	<u>\$ 482,798</u>	<u>\$ -</u>	<u>\$ 1,111,335</u>

Rent expense, which is included in "Occupancy and Office Expenses" in the accompanying Statement of Functional Expenses, for the year ended December 31, 2019 totaled \$321,150.

**8. 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, 2019 totaled \$69,111.

**9. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, 3ie has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**9. FAIR VALUE MEASUREMENT (Continued)**

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market 3ie has the ability to access.

**Level 2.** These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

3ie follows the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset per Share (or Its Equivalent)*. The guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal fair value that would be calculated pursuant to the Fair Value Measurement Topic.

3ie follows the disclosure provisions of accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosure for Investment in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)*. The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, however, the fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2019.

*Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Category - Investments:</b>				
<b>Bonds</b>	\$ -	\$ 24,040,744	\$ -	\$ 24,040,744



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10. MISCELLANEOUS EXPENSES

Miscellaneous expenses reported in the accompanying Statement of Functional Expenses were comprised of the following during the year ended December 31, 2019:

Insurance - commercial and workers compensation	\$ 8,738
Insurance - directors and officers	10,213
Publications	8,616
Subscriptions	87,138
Office supplies	<u>6,688</u>
<b>TOTAL MISCELLANEOUS EXPENSES</b>	<b><u>\$ 121,393</u></b>

11. 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, 2019:

3ie seconded staff salaries, benefits including fees	\$ 600,693
Office rent	57,931
Other miscellaneous expenses	<u>36,271</u>
<b>TOTAL</b>	<b><u>\$ 694,895</u></b>

As of December 31, 2019, 3ie has an outstanding liability balance due to LSHTM aggregating \$239,528, for seconded staff salaries for the months of October through December 2019, rent expense for the month of August 2019 and other office expenses for the months of January through July 2019, pending reconciliation of amounts with LSHTM.

12. SUBSEQUENT EVENTS

In preparing these financial statements, 3ie has evaluated events and transactions for potential recognition or disclosure through April 21, 2020, the date the financial statements were issued.

The impact on 3ie's calendar year 2020 financial activities cannot be assessed as of the date of our audit report, April 21, 2020, as there exists a significant uncertainty about the future impact of COVID-19 on the global economy during this ongoing pandemic situation.