

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

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, 2020, 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, 2020, and the change in its net assets, functional expenses and 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 21, 2021

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 11,051,632	\$ 11,804,745
Investments	24,775,072	24,040,744
Accounts receivable	236,788	55,092
Accrued interest receivable	81,483	67,014
Grants and contributions receivable, net of present value discount	8,820,052	16,365,154
Prepaid expenses	36,073	24,250
Fixed assets, net of accumulated depreciation and amortization of \$221,486	34,750	85,625
Deposits	<u>63,799</u>	<u>132,391</u>
TOTAL ASSETS	<u>\$ 45,099,649</u>	<u>\$ 52,575,015</u>

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,068,592	\$ 898,474
Grants payable	54	113,396
Deferred revenue	15,417	57,534
Loan payable	<u>154,000</u>	<u>-</u>
Total liabilities	<u>1,238,063</u>	<u>1,069,404</u>

NET ASSETS

Without donor restrictions	23,879,109	26,131,956
With donor restrictions	<u>19,982,477</u>	<u>25,373,655</u>
Total net assets	<u>43,861,586</u>	<u>51,505,611</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 45,099,649</u>	<u>\$ 52,575,015</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 670,358	\$ 3,686,344	\$ 4,356,702	\$ 10,091,291
Interest and investment income, net of expenses of \$100,757	342,185	69,240	411,425	608,230
Service income and other	723,540	-	723,540	450,526
Net assets released from donor restrictions	<u>9,331,666</u>	<u>(9,331,666)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>11,067,749</u>	<u>(5,576,082)</u>	<u>5,491,667</u>	<u>11,150,047</u>
EXPENSES				
Program Services	10,272,900	-	10,272,900	8,474,850
General and Administrative	<u>3,013,754</u>	<u>-</u>	<u>3,013,754</u>	<u>2,751,346</u>
Total expenses	<u>13,286,654</u>	<u>-</u>	<u>13,286,654</u>	<u>11,226,196</u>
Change in net assets before other items	<u>(2,218,905)</u>	<u>(5,576,082)</u>	<u>(7,794,987)</u>	<u>(76,149)</u>
OTHER ITEMS				
Exchange rate gain on grants and contributions receivable	-	184,904	184,904	167,700
Reversal of subgrant expenses	-	-	-	(258,662)
Loss on disposal of assets	<u>(33,942)</u>	<u>-</u>	<u>(33,942)</u>	<u>-</u>
Total other items	<u>(33,942)</u>	<u>184,904</u>	<u>150,962</u>	<u>(90,962)</u>
Change in net assets	(2,252,847)	(5,391,178)	(7,644,025)	(167,111)
Net assets at beginning of year	<u>26,131,956</u>	<u>25,373,655</u>	<u>51,505,611</u>	<u>51,672,722</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,879,109</u>	<u>\$ 19,982,477</u>	<u>\$ 43,861,586</u>	<u>\$ 51,505,611</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries and benefits	\$ 2,703,446	\$ 1,723,914	\$ 4,427,360	\$ 4,011,174
Occupancy and office expenses	36,068	386,150	422,218	406,404
Professional fees	1,813,752	569,144	2,382,896	1,485,173
Honorarium	-	45,667	45,667	42,000
Grant expenses	5,445,361	-	5,445,361	4,225,140
Conference and meeting expenses	59,742	1,912	61,654	176,846
Travel	109,977	55,282	165,259	609,477
Financial fees	-	19,210	19,210	15,434
Recruitment fees	489	587	1,076	6,032
Depreciation and amortization	-	16,933	16,933	19,152
Equipment	14,347	128,441	142,788	107,971
Miscellaneous	89,718	66,514	156,232	121,393
TOTAL	\$ 10,272,900	\$ 3,013,754	\$ 13,286,654	\$ 11,226,196

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,644,025)	\$ (167,111)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	16,933	19,152
Realized loss on sales of investments	67,453	4,618
Discount on noncurrent grants and contributions receivable	(73,518)	(101,000)
Exchange rate gain on grants and contributions receivable	(184,904)	(167,700)
Loss on disposal of assets	33,942	-
(Increase) decrease in:		
Accounts receivable	(181,696)	(23,257)
Accrued interest receivable	(14,469)	(67,014)
Grants and contributions receivable	7,803,524	(462,415)
Prepaid expenses	(11,823)	(19,558)
Deposits	68,592	596
Increase (decrease) in:		
Accounts payable and accrued liabilities	170,118	102,768
Loan payable	154,000	-
Grants payable	(113,342)	(1,238,783)
Deferred revenue	<u>(42,117)</u>	<u>(17,769)</u>
Net cash provided (used) by operating activities	<u>48,668</u>	<u>(2,137,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(6,430)
Purchase of investments	(21,224,598)	(35,468,376)
Proceeds from sale of investments	<u>20,422,817</u>	<u>11,423,014</u>
Net cash used by investing activities	<u>(801,781)</u>	<u>(24,051,792)</u>
Net decrease in cash and cash equivalents	(753,113)	(26,189,265)
Cash and cash equivalents at beginning of year	<u>11,804,745</u>	<u>37,994,010</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,051,632</u>	<u>\$ 11,804,745</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2019, 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.

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.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Grants, contributions and accounts receivable (continued) -

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, 2020 totaled \$16,933.

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, 2020, 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 -

The majority of 3ie's revenue is received through awards from the foreign governments, international organizations, foundations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. 3ie performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual 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.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Revenue recognition (continued) -

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional. During the year ended December 31, 2020, 3ie did not recognize any revenue in the accompanying financial statements as conditional assistance.

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 (when the performance obligations have been met), and based on a set transaction price. Any funds received in advance of satisfying 3ie's obligations is recorded as deferred revenue 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, 2020 totaled \$184,904, 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 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. Business development expenses are classified as "General and Administration" in the accompanying Statement of Activities and Change in Net Assets (there are no direct fundraising activities).

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact 3ie's operations. The overall potential impact is unknown at this time.

New accounting pronouncements (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), 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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still 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, 2020:

	<u>Fair Value</u>
Bonds	\$ <u>24,775,072</u>

Included in interest and investment income are the following at December 31, 2020:

Interest and dividends	\$ 579,635
Realized loss on sales of investments	(67,453)
Management fees	<u>(100,757)</u>
TOTAL INVESTMENT INCOME, NET OF EXPENSES	\$ <u>411,425</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2020, 3ie's donors have made written promises to give of which \$9,156,971 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 future collections as of December 31, 2020:

Less than one year	\$ 4,397,734
One to five years	<u>4,759,237</u>
Total	9,156,971
Less: Discount to present value	<u>(336,919)</u>
NET GRANTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 8,820,052</u>

Approximately 76% of 3ie's grants and contributions receivable balance as of December 31, 2020 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. LOAN PAYABLE

On May 4, 2020, 3ie received loan proceeds in the amount of \$154,000 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the two-year term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

During 2020, 3ie used the proceeds for purposes consistent with the Paycheck Protection Program, and has met the conditions for forgiveness of the loan. Subsequent to fiscal year-end, 3ie applied for forgiveness (after completing the 24-week period), and the full value of the loan was forgiven on April 10, 2021. During 2021, 3ie will record revenue from debt extinguishment.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to Expenditure for Specified Purpose	<u>\$ 19,982,477</u>
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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	\$ 7,814,319
Passage of time	<u>1,517,347</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 9,331,666</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 are comprised of the following:

Cash and cash equivalents	\$ 11,051,632
Investments	24,775,072
Accounts receivable	236,788
Grants receivable	<u>8,820,052</u>
Subtotal financial assets	44,883,544
Less: Amounts unavailable for general expenditures within one year due to donor restriction - current portion of net assets with donor restrictions	<u>(19,982,477)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 24,901,067</u>

3ie has various sources of liquidity at its disposal which are available for general expenditures, liabilities, and other obligations as they come due. As of December 31, 2020, 3ie maintains approximately 22 months of liquidity in order to meet its current financial obligations.

7. 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, 2020 totaled \$5,445,361; as of December 31, 2020, 3ie had outstanding current grants payable aggregating \$54.

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.

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, 2020:

Year Ending December 31,

2021	\$ 4,337,107
2022	413,317
2023	<u>227,629</u>
	<u>\$ 4,978,053</u>

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

8. LEASE COMMITMENTS

On August 29, 2019, 3ie entered into a 48-month lease for office space 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. As of November 30, 2020, 3ie vacated a portion of the leased premises in Delhi; accordingly, the required rental payments under the current arrangement (through the balance of the lease, which terminates during August 2023) total \$5,042 per month.

3ie leases space from the London School of Hygiene & Tropical Medicine (LSHTM) for its activities in London on a month-to-month basis.

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>
2021	\$ 60,504	\$ 127,600	\$ -	\$ 188,104
2022	60,504	130,790	-	191,294
2023	<u>40,336</u>	<u>99,920</u>	<u>-</u>	<u>140,256</u>
	<u>\$ 161,344</u>	<u>\$ 358,310</u>	<u>\$ -</u>	<u>\$ 519,654</u>

Rent expense, which is included in "Occupancy and Office Expenses" in the accompanying Statement of Functional Expenses, for the year ended December 31, 2020 totaled \$354,589.

9. 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, 2020 totaled \$129,324.

10. 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. 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.

INTERNATIONAL INITIATIVE FOR IMPACT EVALUATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

10. FAIR VALUE MEASUREMENT (Continued)

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.

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, 2020:

	Level 1	Level 2	Level 3	Total
Asset Category - Investments:				
Bonds	<u>\$ -</u>	<u>\$ 24,775,072</u>	<u>\$ -</u>	<u>\$ 24,775,072</u>

11. MISCELLANEOUS EXPENSES

Miscellaneous expenses reported in the accompanying Statement of Functional Expenses were comprised of the following during the year ended December 31, 2020:

Insurance - commercial and workers compensation	\$ 24,465
Insurance - directors and officers	900
Publications	370
Subscriptions	128,123
Office supplies	<u>2,373</u>
TOTAL MISCELLANEOUS EXPENSES	<u>\$ 156,231</u>

12. MANAGEMENT AGREEMENT

3ie maintains a management agreement with the London School of Hygiene and Tropical Medicine (LSHTM) that will remain in effect until September 30, 2021. Under this agreement, LSHTM will employ qualified personnel to manage 3ie's activities and programs in the United Kingdom.

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12. **MANAGEMENT AGREEMENT (Continued)**

3ie reimbursed LSHTM for the following services during the year ended December 31, 2020:

3ie seconded staff salaries, benefits including fees	\$ 715,239
Office rent	101,449
Other miscellaneous expenses	<u>62,620</u>
TOTAL	\$ <u>879,308</u>

As of December 31, 2020, 3ie has an outstanding balance due to LSHTM (included in accounts payable and accrued liabilities) aggregating \$265,752, for seconded staff salaries for the months of October through December 2020, rent expense for the months of August through December 2020 and other office expenses for the months of July through August 2020, pending reconciliation of amounts with LSHTM.

13. **SUBSEQUENT EVENTS**

In preparing these financial statements, 3ie has evaluated events and transactions for potential recognition or disclosure through April 21, 2021, the date the financial statements were issued.