
INNOVATIONS FOR POVERTY ACTION



**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

Years Ended December 31, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Innovations for Poverty Action
New York, NY

Opinion

We have audited the financial statements of Innovations for Poverty Action (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Financial Statements

The financial statements of Innovations for Poverty Action as of and for the year ended December 31, 2021 were audited by another auditor whose report dated September 30, 2022, expressed an unmodified opinion on those statements.

Change in Accounting Principle

As discussed in Note 2N to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification ("ASC") Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
mhmcpa.com





Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
August 17, 2023

**INNOVATIONS FOR POVERTY ACTION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021**

ASSETS	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (Notes 2E, 12A and 12B)	\$ 19,865,910	\$ 17,883,871
Restricted cash (Notes 2D and 8A)	200,034	199,888
Grants and contracts receivable, net (Notes 2F and 2G)	11,159,162	9,634,369
Contributions receivable (Notes 2E and 4)	4,687,552	1,405,012
Other receivable, net (Note 2G)	668,183	310,460
Prepaid expenses and other assets (Note 2I)	1,498,885	1,089,814
Property and equipment, net (Notes 2J, 5 and 12B)	373,920	287,849
Right-of-use leased assets (Notes 2N and 7)	377,637	-
TOTAL ASSETS	<u><u>\$ 38,831,283</u></u>	<u><u>\$ 30,811,263</u></u>
LIABILITIES		
Accounts payable and accrued expenses (Notes 8B, 8D and 12B)	\$ 3,448,714	\$ 4,172,623
Accrued salaries, vacation and other benefits	1,113,376	478,170
Refundable advance (Note 11)	-	41,640
Deferred revenue (Notes 2F and 2K)	22,056,105	19,491,648
Lease liabilities (Notes 2N and 7)	354,390	-
TOTAL LIABILITIES	<u><u>26,972,585</u></u>	<u><u>24,184,081</u></u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Notes 2B and 9)		
Net assets without donor restrictions	6,981,146	5,222,170
Net assets with donor restrictions	<u>4,877,552</u>	<u>1,405,012</u>
TOTAL NET ASSETS	<u><u>11,858,698</u></u>	<u><u>6,627,182</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 38,831,283</u></u>	 <u><u>\$ 30,811,263</u></u>

**INNOVATIONS FOR POVERTY ACTION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	For the Year Ended December 31, 2022			For the Year Ended December 31 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
OPERATING ACTIVITIES:						
REVENUE, GRANTS AND OTHER (Note 12B)						
Public Support						
Grants - government, foundations, private sector and other (Notes 2F and 8C)	\$ 30,852,221	\$ -	\$ 30,852,221	\$ 32,282,973	\$ -	\$ 32,282,973
Contracts - universities and other (Notes 2F, 2G and 8C)	10,169,541	-	10,169,541	7,749,404	-	7,749,404
Contributions (Note 2E)	7,903,808	4,917,552	12,821,360	4,645,805	1,385,012	6,030,817
Paycheck Protection Program grant (Note 11)	41,640	-	41,640	1,455,800	-	1,455,800
Consultancy and other income	941,483	-	941,483	290,317	-	290,317
Net assets released from restrictions (Notes 2B and 9)	1,445,012	(1,445,012)	-	771,255	(771,255)	-
TOTAL REVENUE, GRANTS AND OTHER	51,353,705	3,472,540	54,826,245	47,195,554	613,757	47,809,311
EXPENSES (Note 2L):						
Program services	38,251,054	-	38,251,054	34,979,236	-	34,979,236
Management and general	10,238,000	-	10,238,000	8,054,906	-	8,054,906
Fundraising	786,730	-	786,730	534,191	-	534,191
TOTAL EXPENSES	49,275,784	-	49,275,784	43,568,333	-	43,568,333
Change In Net Assets From Operations Before Foreign Currency Translation Adjustment	2,077,921	3,472,540	5,550,461	3,627,221	613,757	4,240,978
Foreign currency translation adjustment (Note 2M)	(318,945)	-	(318,945)	(141,240)	-	(141,240)
TOTAL CHANGE IN NET ASSETS	1,758,976	3,472,540	5,231,516	3,485,981	613,757	4,099,738
Net assets - beginning of year	5,222,170	1,405,012	6,627,182	1,736,189	791,255	2,527,444
NET ASSETS - END OF YEAR	\$ 6,981,146	\$ 4,877,552	\$ 11,858,698	\$ 5,222,170	\$ 1,405,012	\$ 6,627,182

**INNOVATIONS FOR POVERTY ACTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for 2021)**

	<u>Year Ended December 31, 2022</u>				<u>Total 2021</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2022</u>	
Salaries	\$ 17,084,842	\$ 5,458,749	\$ 434,706	\$ 22,978,297	\$ 21,134,265
Payroll taxes and other benefits (Note 10)	3,393,670	1,893,792	189,397	5,476,859	3,805,081
Total salaries and related costs	20,478,512	7,352,541	624,103	28,455,156	24,939,346
Professional fees	2,997,522	1,489,436	-	4,486,958	4,315,717
Subgrants	2,408,238	-	-	2,408,238	2,121,130
Travel and transportation	3,685,148	353,725	18,046	4,056,919	3,306,999
Occupancy (Note 7)	901,016	188,922	30,439	1,120,377	940,504
Survey costs	1,580,032	-	-	1,580,032	733,498
Other operating expenses	1,271,079	221,708	46,130	1,538,917	1,180,117
Computer and network	779,141	293,399	39,865	1,112,405	1,129,909
Office expense	991,131	145,609	15,706	1,152,446	1,074,790
Program supplies	1,144,825	-	-	1,144,825	1,691,053
Outside services	670,897	1,769	-	672,666	621,800
Conference and trainings	752,080	67,181	218	819,479	492,734
Insurance	211,575	38,630	12,223	262,428	302,984
Motor vehicle expense	357,452	1,370	-	358,822	637,135
Depreciation and amortization (Notes 2J and 5)	22,406	83,710	-	106,116	80,617
TOTAL EXPENSES	<u>\$ 38,251,054</u>	<u>\$ 10,238,000</u>	<u>\$ 786,730</u>	<u>\$ 49,275,784</u>	<u>\$ 43,568,333</u>

The accompanying notes are an integral part of these financial statements.

**INNOVATIONS FOR POVERTY ACTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 15,976,027	\$ 4,887,221	\$ 271,017	\$ 21,134,265
Payroll taxes and other benefits (Note 10)	<u>2,655,001</u>	<u>1,056,703</u>	<u>93,377</u>	<u>3,805,081</u>
Total salaries and related costs	18,631,028	5,943,924	364,394	24,939,346
Professional fees	3,062,500	1,240,943	12,274	4,315,717
Subgrants	2,121,130	-	-	2,121,130
Travel and transportation	3,262,137	43,754	1,108	3,306,999
Occupancy (Note 7)	775,457	146,615	18,432	940,504
Survey costs	733,498	-	-	733,498
Other operating expenses	1,037,735	76,429	65,953	1,180,117
Computer and network	706,489	370,876	52,544	1,129,909
Office expense	1,000,661	68,796	5,333	1,074,790
Program supplies	1,691,053	-	-	1,691,053
Outside services	620,425	1,375	-	621,800
Conference and trainings	490,130	2,604	-	492,734
Insurance	205,078	83,753	14,153	302,984
Motor vehicle expense	637,135	-	-	637,135
Depreciation and amortization (Notes 2J and 5)	<u>4,780</u>	<u>75,837</u>	<u>-</u>	<u>80,617</u>
TOTAL EXPENSES	<u>\$ 34,979,236</u>	<u>\$ 8,054,906</u>	<u>\$ 534,191</u>	<u>\$ 43,568,333</u>

The accompanying notes are an integral part of these financial statements.

**INNOVATIONS FOR POVERTY ACTION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,231,516	\$ 4,099,738
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	106,116	80,617
Loss on disposal of equipment	-	16,559
Reduction in carrying amount of right-of-use assets	276,050	-
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants and contracts receivable, net	(1,524,793)	(3,317,084)
Contributions receivable, net	(3,282,540)	(613,757)
Other receivable, net	(357,723)	154,630
Prepaid expenses and other assets	(409,071)	197,228
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(723,909)	392,065
Accrued salaries, vacation and other benefits	635,206	(585,627)
Refundable advance	(41,640)	-
Deferred revenue	2,564,457	1,285,792
Lease liabilities	(299,297)	-
Net Cash Provided by Operating Activities	<u>2,174,372</u>	<u>1,710,161</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(192,187)</u>	<u>(3,756)</u>
Net Cash Used in Investing Activities	<u>(192,187)</u>	<u>(3,756)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,982,185	1,706,405
Cash, cash equivalents and restricted cash - beginning of year	<u>18,083,759</u>	<u>16,377,354</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 20,065,944</u>	<u>\$ 18,083,759</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for income tax liabilities	<u>\$ 43,075</u>	<u>\$ 223,611</u>

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Innovations for Poverty Action (the “Organization” or “IPA”) is a global research and policy nonprofit that discovers and advances what works to improve the lives of people living in poverty.

Limited evidence exists on what works to help people living in poverty, and the evidence that does exist often goes unused. This leads to programs that are either ineffective or not as effective as they could be, and often to wasted money and enduring poverty. IPA exists to solve these problems. IPA tests promising ideas across contexts and along the path to scale, proactively engages key decision-makers throughout the research process, shares findings with the right people at the right time, and equips partners with the skills and tools they need to use data and evidence.

Since IPA’s founding in 2002, the Organization has worked with over 600 leading academics to conduct over 900 evaluations in 52 countries. This research has informed hundreds of successful programs that now impact hundreds of millions of lives worldwide.

The Organization is a public charity, classified as a 501(c)(3) organization, and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Accomplishments

In 2022, the Organization’s accomplishments are as follows:

The Organization saw its research contribute to evidence-informed policies, improving the lives of millions of people. The Organization worked with a lead research team and a coalition of committed partners to test and scale up the NORM model, an evidence-based approach to increase mask-wearing during the COVID-19 pandemic, to over 100 million people in South Asia. The Novissi program in Togo, supported by the Organization, used satellite imagery, phone metadata, and AI to strengthen the targeting of a cash transfer program to over 130,000 people in response to the COVID-19 pandemic. Police in Mexico incorporated evidence from a randomized evaluation of a procedural justice training led by the Organization and researchers into training strategies for its approximately 80,000 police officers.

The Organization advanced its strategic ambition to continue to lead the field of development in cutting-edge research quality and innovation, for example, by using a novel technology-assisted partially automated WhatsApp survey to interview Venezuelan migrants in Colombia.

The Organization advanced its commitments to diversity, equity, and inclusion, specifically to advance locally grounded research and support scholars conducting development research in the countries where IPA works, by signing Memorandums of Understanding with 15 universities in Africa and hosting a physical matchmaking event in Kenya to drive locally-grounded research through strong partnerships and networks.

The Organization communicated key research and policy findings to a global audience and had its work featured in many national and international media outlets, including Vox, The Washington Post, The Atlantic, and The Nation (Nigeria), among many others.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** – The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- B. **Basis of Presentation** – The Organization maintains its net assets under the following two classes:
- Net assets without donor restrictions – This represents net assets not subject to donor-imposed stipulations that have no time restrictions and can be expended at the discretion of the Board of Directors.
 - Net assets with donor restrictions – This represents net assets subject to donor-imposed stipulations that will be met by actions of the Organization or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- C. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.
- D. **Cash and Cash Equivalents** – Cash equivalents are highly liquid debt instruments with maturities of 90 days or less when acquired. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows as December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 19,865,910	\$ 17,883,871
Restricted cash	<u>200,034</u>	<u>199,888</u>
Total in the statement of cash flows	<u>\$ 20,065,944</u>	<u>\$ 18,083,759</u>

- E. **Contributions** – The Organization records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Contributions are accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) (“ASU 2018-08”).

- F. **Grants and Contracts** – The Organization receives grants and contracts from governmental entities, foundations, and the private sector which are primarily expense reimbursement agreements; however, some arrangements are performance based. Grants and contracts from governmental entities, foundations, and the private sector are conditional contributions and are accounted for under ASU 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grants and contracts, received from governmental entities, foundations and the private sector, amounted to \$30,852,221 and \$32,282,973 for the years ended December 31, 2022 and 2021, respectively.

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of December 31, 2022 and 2021, the Organization received conditional grants and contracts from government agencies, foundations, private sector and universities in the aggregate amounts of approximately \$67,000,000 and \$20,807,000, respectively. Such grants and contracts have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements and/or meeting certain milestones. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Organization may be required to return the funds already received.

In addition, the Organization enters into written grants and contracts agreements with funders, namely universities, to perform research to discover and promote effective solutions to global poverty problems. The output and final results of the research is owned by the universities. Such grants and contracts are accounted for under FASB ASU 2014-09, “*Revenue from Contracts with Customers*” (Topic 606).

For the years ended December 31, 2022 and 2021, the Organization’s grants and contracts from universities and other funders amounted to \$10,169,541 and \$7,749,404, respectively.

Performance obligations are determined based on the nature of the services provided by the Organization in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. At contract inception, the Organization assesses the services promised in its contracts with the funder and identifies performance obligations for each promise to transfer to the customer a service that is distinct.

Deferred revenue, which amounted to approximately \$22.1 million and \$19.5 million as of December 31, 2022 and 2021, respectively, primarily consists of advances the Organization received for conditional grants and contributions which will be recognized as revenue during the period services are rendered. The Organization applies the practical expedient FASB Accounting Standards Codification (“ASC”) Topic 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

- G. ***Allowance for Doubtful Accounts*** – The Organization’s management evaluates the need for an allowance for doubtful accounts applicable to its contributions, grants and other receivables based on a combination of factors, such as management’s estimate of the creditworthiness of its donors, a review of individual accounts outstanding, the aged basis of the receivables, current economic conditions and historical experience. As of December 31, 2022 and 2021, the Organization determined that an allowance of approximately \$361,000 and \$496,000, respectively, was necessary for grants and contracts and other receivable and no allowance was necessary for contributions receivable.
- H. ***Contributed Services and Supplies*** – The Organization recognizes donated services at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization’s programs, but do not meet the criteria for financial statement recognition. General volunteer services do not meet these criteria for recognition.
- I. ***Prepaid Expenses and Other Assets*** – Prepaid expenses and other assets consist of payments made in advance on insurance policies and service contracts. The expense is recognized pro-ratably over the contract term throughout the year.

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Organization capitalizes all property and equipment having a useful life of greater than three years and a cost of \$5,000 or more. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, with any net gain or loss reflected in the statements of activities for the period. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.
- K. **Deferred Revenue** – The Organization receives advances for conditional grants and contributions. Deferred revenue also includes cash in advance of conference events that are to be held after the date of the statement of financial position.
- L. **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 functional expenses. Accordingly, certain expenses have been allocated among the programs and the supporting services benefited as determined by management. The expenses that are allocated include salaries and payroll taxes and employee benefits, conference and training, insurance and travel, which are allocated based on estimates of time and effort. Other allocated expenses include occupancy, insurance and depreciation and amortization, which are allocated based on square footage, professional fees, travel, insurance, conference and training, and office expenses.
- M. **Foreign Currency Translation** – The Organization uses the functional currency of their country offices. The Organization's reporting currency is the U.S. dollar. Assets and liabilities of the Organization's foreign operations are translated into U.S. dollars at year-end exchange rates. Revenue and expense accounts and cash flows are translated using an average of exchange rates in effect during the period. Exchange gains and losses from transactions denominated in a foreign currency are recognized as a foreign currency translation adjustment on the statements of activities.
- N. **Recent Accounting Pronouncements** – The Organization adopted FASB ASU 2016-02, *Leases* (Topic 842), for the year ended December 31, 2022. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The Organization adopted Topic 842 as of January 1, 2022, as the initial adoption, which required the recognition of lease assets and liabilities as of that date. The operating lease assets and liabilities as of January 1, 2022, totaled \$228,324 and \$216,442, respectively. The adoption of Topic 842 had no effect on the change in net assets as previously reported. The Organization has chosen the method of adoption that does not require adjustment to prior periods.
- O. **Reclassifications** - Certain line items in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity need, the Organization could also draw upon \$1,200,000 of its available line of credit (Note 6).

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 19,865,910	\$ 17,883,871
Grants and contracts receivable, net	11,159,162	9,634,369
Contributions receivable due in less than one year	4,687,552	1,405,012
Other receivable, net	668,183	310,460
Less: net assets with donor restriction - purpose	<u>(200,000)</u>	<u>(420,000)</u>
	<u>\$ 36,180,807</u>	<u>\$ 28,813,712</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	<u>\$ 4,687,552</u>	<u>\$ 1,405,012</u>
Total contributions receivable, net	<u>\$ 4,687,552</u>	<u>\$ 1,405,012</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ -	\$ 337,335
Computer equipment	514,841	664,434
Vehicles	-	259,654
Furniture and fixtures	-	61,043
Construction in progress	<u>162,307</u>	<u>86,292</u>
	677,148	1,408,758
Less: Accumulated depreciation and amortization	<u>(303,228)</u>	<u>(1,120,909)</u>
Net book value	<u>\$ 373,920</u>	<u>\$ 287,849</u>

Depreciation and amortization expense was \$106,116 and \$80,617 for the years ended December 31, 2022 and 2021, respectively. During the year ended December 31, 2022, the Organization disposed of fully depreciated leasehold improvements, computer equipment, and furniture and fixtures with an original cost of \$923,797. During the year ended December 31, 2021, the Organization disposed of equipment with an original cost of \$29,779, which resulted in a loss of \$16,559 for the year ended December 31, 2021.

As of December 31, 2021, construction in progress relates to construction and implementation of the SuitePeople Human Resource Information System. The project was completed in January 2022 at a cost of approximately \$86,000, and is included within computer equipment as of December 31, 2022.

**INNOVATIONS FOR POVERTY ACTION
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NOTE 5 – PROPERTY AND EQUIPMENT, NET (Continued)

As of December 31, 2022, construction in progress relates to website design. The project was completed in August 2023 with additional costs of approximately \$3,000.

NOTE 6 – LINE OF CREDIT

The Organization has an annual auto-renewed line of credit with a financial institution in the amount of \$1,200,000. The line bears interest at the Prime rate, which was 8% and 3.25% as of December 31, 2022 and 2021, respectively. The line of credit is collateralized by substantially all of the Organization's assets. As of December 31, 2022 and August 17, 2023, there were no borrowings on the line of credit.

NOTE 7 – LEASES

The Organization leases various office space for its headquarters in multiple locations expiring through December 2024. As disclosed in Note 2N, the Organization adopted FASB ASC 842 as of January 1, 2022, which had no impact to the prior year statement of financial position or its change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended December 31, 2021 (i.e., ASC 840). No comparative information is provided for the amounts reported on the statement of financial position as of December 31, 2021, since the Organization used the modified retrospective method of transition that does not require restating the prior period.

As of December 31, 2022, the right-of-use assets balance totaled \$377,637 and the lease liabilities totaled \$354,390 as shown in the statements of financial position. The right-of-use assets and lease liabilities were calculated utilizing discount rates of .78%-2.44% using the risk-free rate commensurate with the term of the Organization's operating leases.

For the years ended December 31, 2022 and 2021, rent expense amounted to approximately \$727,000 and \$682,000, respectively, of which approximately \$402,000 and \$470,000, respectively, is related to foreign operations. Lease costs for the year ended December 31, 2022 comprised operating lease costs of approximately \$296,000 and short-term lease costs of approximately \$431,000. Total cash paid by the Organization in the determination of the operating lease liabilities totaled \$299,297 for the year ended December 31, 2022. For the year ended December 31, 2022, the weighted average of the remaining lease term is 1.13 years, and the weighted average discount rate is 2.06%.

Future minimum lease payments under these leases for the years ending subsequent to December 31, 2022, are as follows:

	2023	\$	301,953
	2024		57,100
			359,053
Less: Present value discount			(4,663)
Present value of lease liabilities		\$	354,390

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Organization has an outstanding letter of credit of \$200,034 and \$199,888 as of December 31, 2022 and 2021, respectively. The letter of credit, which is secured by restricted cash, serves primarily as security in connection with one of the Organization's foreign projects.

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. The Organization has received grants and contracts for specific purposes that are subject to review, audit and adjustment by the grantors. Such audits could lead to requests for reimbursements to such donors for any expenditures or claims disallowed under the terms of the agreements. Based on prior experience, management believes such disallowances, if any, will not be material to the financial statements. In connection with its mission, the Organization maintains facilities outside the United States in 19 countries. Compliance with laws and regulations within each of these countries is subject to review by the corresponding governmental agencies. Management has identified potential tax liabilities related to doing business in various foreign countries and has hired experts for assistance. For countries where estimates are determinable, liabilities amounting to approximately \$361,000 and \$1,051,000, respectively, have been recognized as of December 31, 2022 and 2021, which is reflected in the accompanying statements of financial position in accounts payable and accrued expenses.
- C. Pursuant to the Organization's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine the books and records of the Organization that involve transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.
- D. In the normal course of its operations, the Organization is a defendant in various legal proceedings. As of December 31, 2022 and 2021, the likelihood of an unfavorable outcome of a potential loss from the legal proceedings is an estimated liability of approximately \$655,000 and \$828,000, respectively, which is reflected in the accompanying statements of financial position in accounts payable and accrued expenses. For the year ended December 31, 2022, the Organization made payments of approximately \$173,000 against the estimated liability.
- E. The Organization believes it has no uncertain tax positions as of December 31, 2022 and 2021, in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose as of December 31:

	<u>2022</u>	<u>2021</u>
Time and purpose restricted	\$ 4,877,552	\$ 1,405,012
	<u>\$ 4,877,552</u>	<u>\$ 1,405,012</u>

For the years ended December 31, 2022 and 2021, net assets with donor restrictions released from those restrictions due to expenses incurred, satisfying the restricted purposes or through the occurrence of other events specified by donors amounted to \$1,445,012 and \$771,255, respectively.

NOTE 10 – RETIREMENT PLAN

The Organization maintains a defined contribution plan in which all of the Organization's employees are automatically enrolled once they have met certain eligibility requirements.

Employees are eligible for a matching contribution from the Organization of up to 3% of salary, which will vest immediately after 90 days. Contribution expense recorded by the Organization amounted to \$664,674 and \$503,737 for the years ended December 31, 2022 and 2021, respectively.

**INNOVATIONS FOR POVERTY ACTION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 – PAYCHECK PROTECTION PROGRAM

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

As of December 31, 2021, the Organization had an outstanding refundable advance amount of \$41,640 from their first PPP loan. For the year ended December 31, 2022, the Organization had determined that they had incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income amounting to \$41,640, which is included in the accompanying statement of activities. The PPP loan was forgiven on July 23, 2021.

The Organization applied for their second PPP loan through an SBA-authorized lender and received \$1,455,800 on May 5, 2021. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the twenty-four week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Organization’s employees. In accounting for the terms of the PPP loan, the Organization, guided by FASB ASC Topic 958-605, *Revenue Recognition - Contributions*, recorded the loan as a conditional contribution. For the year ended December 31, 2021, the Organization incurred sufficient qualifying expenses and has met other conditions for forgiveness, and accordingly recorded grant income amounting to \$1,455,800, which is included in the accompanying statement of activities. The PPP loan was forgiven on July 26, 2022.

NOTE 12 – CONCENTRATION

- A. Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accounts are insured up to \$250,000 per depositor per insured financial institution. As of December 31, 2022 and 2021, there was approximately \$18,035,000 and \$15,463,000 of cash and cash equivalents held by banks that exceeded FDIC limits, respectively.
- B. As of December 31, 2022 and 2021, assets in other countries, including cash, totaled \$1,193,020 and \$781,049, respectively, property and equipment, net of accumulated depreciation and amortization, amounted to \$14,916 and \$7,951, respectively, and liabilities in other countries were \$893,295 and \$982,045, respectively. Total overseas support and revenue received from foreign sources amounted to \$13,213,126 and \$9,911,137 for the years ended December 31, 2022 and 2021, respectively. Account balances relating to foreign operations are reflected in the financial statements in U.S. dollars.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through August 17, 2023, the date the financial statements were available to be issued.