

INNOVATIONS FOR POVERTY ACTION
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019



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INNOVATIONS FOR POVERTY ACTION

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Independent Auditors' Report

To the Board of Directors
Innovations for Poverty Action
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Innovations for Poverty Action, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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 Innovations for Poverty Action as of December 31, 2020, 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.

Other Matter

The financial statements as of December 31, 2019 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated June 24, 2020 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 3, 2021 on our consideration of Innovations for Poverty Action's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Innovations for Poverty Action's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innovations for Poverty Action's internal control over financial reporting and compliance.



West Hartford, Connecticut
August 3, 2021

INNOVATIONS FOR POVERTY ACTION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 16,177,565	\$ 4,381,736
Grants receivable, net	6,317,285	12,399,441
Contributions receivable, net	791,255	3,552,904
Other receivable	465,090	21,103
Prepaid expenses and other assets	1,486,831	1,554,079
Property and equipment, net	<u>381,269</u>	<u>389,972</u>
Total Assets	<u>\$ 25,619,295</u>	<u>\$ 22,299,235</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,844,355	\$ 4,006,676
Deferred revenue	18,247,496	15,109,741
Line of credit	-	500,000
Total liabilities	<u>23,091,851</u>	<u>19,616,417</u>
Net Assets		
Net assets without donor restrictions	1,736,189	(870,086)
Net assets with donor restrictions	<u>791,255</u>	<u>3,552,904</u>
Total net assets	<u>2,527,444</u>	<u>2,682,818</u>
Total Liabilities and Net Assets	<u>\$ 25,619,295</u>	<u>\$ 22,299,235</u>

The accompanying notes are an integral part of the financial statements

INNOVATIONS FOR POVERTY ACTION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and support:		
Grants and contracts	\$ 30,856,234	\$ 38,630,866
Contributions	5,076,369	2,490,221
Other income	6,398	14,094
Net assets released from restrictions	3,177,909	1,481,715
Total revenue and support	<u>39,116,910</u>	<u>42,616,896</u>
Expenses:		
Program services	26,748,714	32,785,214
Management and general	8,162,906	8,787,634
Fundraising	636,555	735,567
Total expenses	<u>35,548,175</u>	<u>42,308,415</u>
Increase in net assets without donor restrictions	<u>3,568,735</u>	<u>308,481</u>
Changes in Net Assets With Donor Restrictions		
Contributions	416,260	2,684,311
Net assets released from restrictions	(3,177,909)	(1,481,715)
(Decrease) increase in net assets with donor restrictions	<u>(2,761,649)</u>	<u>1,202,596</u>
Other Changes in Net Assets		
Currency translation adjustment	(962,460)	(68,639)
(Decrease) Increase in Net Assets	(155,374)	1,442,438
Net Assets - Beginning of Year	<u>2,682,818</u>	<u>1,240,380</u>
Net Assets - End of Year	<u>\$ 2,527,444</u>	<u>\$ 2,682,818</u>

The accompanying notes are an integral part of the financial statements

INNOVATIONS FOR POVERTY ACTION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 16,795,385	\$ 5,899,918	\$ 482,680	\$ 23,177,983
Professional fees	1,817,090	735,304	12,225	2,564,619
Subgrants	2,242,505	4,786	-	2,247,291
Travel	1,800,689	87,426	768	1,888,883
Occupancy	932,708	217,561	36,543	1,186,812
Other operating expenses	292,869	105,230	11,028	409,127
Computer/network	336,925	725,257	68,308	1,130,490
Office expense	692,449	108,577	9,710	810,736
Program supplies	778,254	31	-	778,285
Outside services	394,216	2,014	-	396,230
Conferences and trainings	346,844	7,538	699	355,081
Insurance	88,241	175,473	14,594	278,308
Motor vehicle	213,628	127	-	213,755
Depreciation	16,445	73,364	-	89,809
Interest expense	466	20,300	-	20,766
Total Expenses	\$ 26,748,714	\$ 8,162,906	\$ 636,555	\$ 35,548,175

The accompanying notes are an integral part of the financial statements

INNOVATIONS FOR POVERTY ACTION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 15,855,869	\$ 6,454,168	\$ 472,150	\$ 22,782,187
Travel	4,598,741	275,438	12,630	4,886,809
Professional fees	2,864,041	716,221	8,315	3,588,577
Subgrants	3,125,510	20,782	-	3,146,292
Other operating expenses	1,521,825	32,710	36,766	1,591,301
Occupancy	1,044,224	301,506	56,792	1,402,522
Office expense	886,967	144,613	17,783	1,049,363
Computer/network	261,039	659,826	83,143	1,004,008
Conferences and trainings	808,413	39,344	42,860	890,617
Motor vehicle	697,536	3,207	-	700,743
Outside services	586,193	845	-	587,038
Program supplies	328,313	-	-	328,313
Insurance	181,281	50,180	5,128	236,589
Depreciation	25,144	36,683	-	61,827
Interest expense	118	52,111	-	52,229
Total Expenses	\$ 32,785,214	\$ 8,787,634	\$ 735,567	\$ 42,308,415

The accompanying notes are an integral part of the financial statements

INNOVATIONS FOR POVERTY ACTION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ (155,374)	\$ 1,442,438
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	89,809	61,827
(Increase) decrease in operating assets:		
Grants receivable, net	6,082,156	(216,597)
Contributions receivable, net	2,761,649	(1,202,595)
Other receivable	(443,987)	9,416
Prepaid expenses and other assets	67,248	49,632
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	837,679	(562,926)
Deferred revenue	3,137,755	(962,632)
Net cash provided by (used in) operating activities	<u>12,376,935</u>	<u>(1,381,437)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(81,106)</u>	<u>(80,755)</u>
Net cash used in investing activities	<u>(81,106)</u>	<u>(80,755)</u>
Cash Flows from Financing Activities		
Repayment on line of credit	<u>(500,000)</u>	<u>(400,000)</u>
Net cash used in financing activities	<u>(500,000)</u>	<u>(400,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,795,829	(1,862,192)
Cash and Cash Equivalents - Beginning of Year	<u>4,381,736</u>	<u>6,243,928</u>
Cash and Cash Equivalents - End of Year	<u>\$ 16,177,565</u>	<u>\$ 4,381,736</u>
Cash Paid During the Year for Interest	\$ 20,767	\$ 52,228

The accompanying notes are an integral part of the financial statements

INNOVATIONS FOR POVERTY ACTION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Activities

Innovations for Poverty Action (the Organization) is a research and policy nonprofit that discovers and promotes effective solutions to global poverty problems. The Organization brings together researchers and decision-makers to design, rigorously evaluate and refine these solutions and their applications, ensuring that the evidence created is used to improve the lives of the world's poor.

In recent decades, trillions of dollars have been spent on programs designed to reduce global poverty, but clear evidence on which programs succeed is rare, and when evidence does exist, decision-makers often do not know about it. The Organization exists to bring together leading researchers and these decision-makers to ensure that the evidence leads to tangible impact on the world. Since the Organization's founding in 2002, the Organization has worked with over 575 leading academics to conduct over 700 evaluations in 51 countries. This research has informed hundreds of successful programs that now impact millions of individuals worldwide.

Accomplishments

In 2020, the Organization accomplishments are as follows:

Sector: Financial Inclusion

To support financial inclusion efforts around the world, the Organization partners with service providers, governments, and researchers to design and rigorously test financial services and programs encouraging healthy financial behavior among the poor. This sector program aims to help low-income households have affordable, safe, and suitable financial tools to manage and grow their money. The Financial Inclusion Program's largest initiative is the Consumer Protection Research Initiative, a \$5.4 million research facility funded by the Bill & Melinda Gates Foundation to support policymakers, financial service providers, and civil society to develop and test consumer protection solutions in emerging markets. The Organization developed partnerships with practitioners in Bangladesh, Kenya, Mexico, Nigeria, Peru, the Philippines, Sierra Leone, Uganda, and other emerging markets to promote a more rigorous approach to consumer protection policies in developing countries. Another major projects the Organization's Financial Inclusion sector continued to be the Financial Services for the Poor Research Fund. The Financial Services for the Poor Initiative supports research on digital innovations to help low-income households in the developing world access and benefit from formal financial services.

Sector: Peace & Recovery#

The Organization's work in the sector of Peace & Recovery aims to build rigorous evidence on effective ways to build peace and stability in conflict and crisis-affected contexts. In 2020, the Organization's major work and accomplishments in the Peace & Recovery sector included funding research projects through a competitive fund, including solutions to refugee crises in Bangladesh and Jordan, as well as research on how to reduce crime in Colombia.

Other major work in this sector focused on developing and testing ways to improve security in Mexico City and on provide timely data and evidence on the forced displacement and migration of Rohingya refugees into Bangladesh. On the Mexico project, the Organization and affiliated researchers from Yale worked in partnership with the Ministry of Public Security of Mexico City and the National Security Commission to test how to make police organizations in Mexico City more effective, resilient, and trusted.

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NOTES TO FINANCIAL STATEMENTS

Sector: Education

The Education Sector Program at the Organization works to rigorously evaluate programs that aim to improve education outcomes, increase access to and quality of early childhood education, and improve school attendance, among other goals. In 2020, the Organization's largest education project was PlayMatters, a five-year project focused on bringing evidence-based learning through play to refugee and host community children in Ethiopia, Tanzania, and Uganda. The Organization shared existing evidence on education and early childhood development in humanitarian contexts with our partners to inform the intervention development process and also worked with our consortium partners, ministries, and community members to connect, expand, and improve the infrastructure of ongoing services, and build evidence of the impact of learning through play interventions. Another large project we worked on in 2020 looks at the long-term impacts of school-based deworming program in Kenya.

All Other

The Organization is a research and policy nonprofit that discovers and promotes effective solutions to global poverty problems.

In partnership with top researchers in the field, we design and implement randomized evaluations to measure the effectiveness of programs and policies aimed at helping the poor. We specialize in randomized controlled trials (RCTs) because this rigorous methodology allows us to isolate the effects of a program from other factors. Like in medical trials, researchers assign participants at random to different study groups. One or more groups receive a program (the "treatment groups") and another group serves as the comparison (or "control") group.

The Organization's evaluations do not simply give a passing or failing grade to programs, but rather seek to uncover and disentangle causal mechanisms and determine which adjustments will make a program more effective.

Our well-established partnerships in the countries where we work, and a strong understanding of local contexts, help make our research projects successful. Our teams operating in 22 countries work on the ground to develop new studies with NGOs and government institutions interested in conducting rigorous evaluations of their programs and in testing new ideas. The Organization has more than 1,000 research staff who implement the research on the ground. Studies range in time from months, to years, to decades.

Once an intervention has proven effective in one context, we work to test it in other contexts. This replication process is an essential step on the path to scaling up effective programs.

The Organization has an extensive network of more than 600 researchers from among the top universities in the world who collaborate with us in designing and conducting the evaluations. Many of these academics are pioneers in their fields of research, particularly in development economics.

To date, we have designed and evaluated more than 700 potential solutions to poverty problems and have over 250 more evaluations in progress. With this experience, the Organization has developed extensive expertise in conducting successful evaluations, from the initial concept stage to the sharing of results.

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NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure.

Use of Estimates

The preparation of financial statements in conformity with 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.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. The Organization maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Organization's deposits are not subject to significant credit risk.

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.

Contributions, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Organization. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Organization reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in

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NOTES TO FINANCIAL STATEMENTS

the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying statements of financial position.

Grants receivable are stated at the amount management ultimately expects to collect. Management maintains an allowance for doubtful accounts based on a review of specific accounts and general historical experience. Allowance for uncollectible grants as of December 31, 2020 and 2019 was approximately \$1,124,000 and \$1,684,000, respectively.

Conditional grants and contracts not recognized as revenue as of December 31, 2020 total \$19,577,828. Certain grants, including governmental grants and contracts, are conditioned on incurring qualified program expenses.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Revenue Recognition

The Organization recognizes revenue at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the Organization satisfies a performance obligation

See Note 3 for details on how the above five-step process is applied to the Organization's contracts with customers.

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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Personnel expenses, travel, professional fees, computer/network, occupancy, other operating expenses, office expense and insurance are allocated based on time and effort.

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Income Taxes

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

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 component of support and revenue in current operations.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through August 3, 2021, which represents the date the financial statements were available to be issued.

NOTE 3 - REVENUES FROM CONTRACTS WITH CUSTOMERS

The Organization enters into written contracts with funders to perform research to discover and promote effective solutions to global poverty problems. The payment terms and conditions vary by funder based on the individual contract. 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. To identify the performance obligations, the Organization considers all of the services promised in the contract regardless of whether they are explicitly stated or implied customary business practices. The Organization satisfies its performance obligations over time as services are provided.

The Organization receives payments over time as services are provided and costs are incurred. The Organization recognized revenue for contracts over time of \$26,357,354 and \$33,773,012 for the years ended December 31, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS

The opening and closing balances of the Organization's contracts receivable, which are recognized within grants receivable on the statements of financial position, and deferred revenue are as follows:

	Contract Balances	
	Receivables	Deferred Revenue
Opening (January 1, 2019)	\$ 9,394,826	\$ 15,958,350
Closing (December 31, 2019)	9,766,117	14,907,780
Increase (Decrease)	371,291	(1,050,570)
Opening (January 1, 2020)	9,766,117	14,907,780
Closing (December 31, 2020)	4,879,721	17,800,322
(Decrease) Increase	(4,886,396)	2,892,542

The balance of deferred revenue at December 31, 2020 will be recognized as revenue during the period services are rendered. The Organization applies the practical expedient 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2020 and 2019 are expected to be collected as follows:

	2020	2019
Receivable in less than one year	\$ 728,579	\$ 2,918,721
Receivable in one to five years	65,812	660,000
Total contributions receivable	794,391	3,578,721
Less discount to present value	3,136	25,817
Net Contributions Receivable	\$ 791,255	\$ 3,552,904

Contributions receivable in more than one year are discounted at 2.00% as of December 31, 2020 and 2019.

An allowance for uncollectible contributions receivable was not deemed necessary for the years ended December 31, 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 337,335	\$ 337,335
Computer equipment	680,394	673,146
Vehicles	259,654	259,654
Other equipment	61,043	61,043
Software in progress	96,355	22,396
	<u>1,434,781</u>	<u>1,353,574</u>
Less accumulated depreciation	<u>1,053,512</u>	<u>963,602</u>
Net Property and Equipment	<u>\$ 381,269</u>	<u>\$ 389,972</u>

Depreciation expense was \$89,809 and \$61,827 for the years ended December 31, 2020 and 2019, respectively.

The software in progress as of December 31, 2019 pertains to a Salesforce integration package and human resources software that was placed in service during the 2020 fiscal year. The software in progress as of December 31, 2020 pertains to costs incurred for SuitPeople Human Resources software that is expected to be placed in service between September and December, 2021.

NOTE 6 - LINE OF CREDIT

The Organization has a line of credit with Citibank in the amount of \$1,200,000 with interest at the Prime rate, which was 3.25% and 4.75% at December 31, 2020 and 2019, respectively. The line of credit is collateralized by substantially all of the Organization's assets.

The outstanding balance on the line of credit was \$500,000 as of December 31, 2019. There was no outstanding balance on the line as of December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 16,177,565	\$ 4,381,736
Grants receivable, net	6,317,285	12,399,441
Contributions receivable, due in one year	728,579	2,918,721
Other receivables	<u>465,090</u>	<u>21,103</u>
	23,688,519	19,721,001
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(791,256)</u>	<u>(3,552,904)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 22,897,263</u>	<u>\$ 16,168,097</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As noted in Note 6, the Organization has a line of credit in the amount of \$1,200,000 and it could draw up to \$1,200,000 and \$700,000 as of December 31, 2020 and 2019, respectively, should the need arise. 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

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions that are due over time. Net assets with donor restrictions due in future periods as of December 31, 2020 and 2019 were \$791,255 and \$3,552,904, respectively. Net assets in the amount of \$3,177,909 and \$1,481,715 were released from restriction during the years ended December 31, 2020 and 2019, respectively, by satisfying the corresponding time restrictions.

NOTE 9 - OPERATING LEASES

The Organization has entered into multiple operating lease agreements for its headquarters that expire at various dates through August 2023. The original leases have been amended multiple times to incorporate additional office space. The Organization also leases office space in various domestic and foreign locations, some on a month-to-month basis and others under leases expiring through February 2022. Total rental expenses for the years ended December 31, 2020 and 2019 amounted to approximately \$822,000 and \$986,000, respectively, of which approximately \$515,966 and \$493,000, respectively, related to foreign operations.

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NOTES TO FINANCIAL STATEMENTS

Estimated future minimum lease payments are as follows:

Year Ending December 31

2021	\$	299,730
2022		50,761
2023		<u>33,986</u>
	\$	<u><u>384,477</u></u>

NOTE 10 - CONTINGENCIES

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 have been recognized as of December 31, 2020 and 2019. A liability has not been recognized for countries where management is unable to make a reasonable estimate as of December 31, 2020 and 2019.

NOTE 11 - EMPLOYEE BENEFITS

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 recognized by the Organization was \$433,214 and \$445,482 for the years ended December 31, 2020 and 2019, respectively.

NOTE 12 - FOREIGN OPERATIONS

As of December 31, 2020 and 2019, assets in other countries, including cash, totaled \$1,444,819 and \$931,001, property and equipment, net of accumulated depreciation, amounted to \$23,255 and \$25,269 and liabilities in other countries were \$1,497,533 and \$12,227,346, respectively. Total overseas support and revenue received from foreign sources amounted to \$8,256,528 and \$8,731,434 for the years ended December 31, 2020 and 2019, respectively. Account balances relating to foreign operations are reflected in the financial statements in U.S. dollars.

INNOVATIONS FOR POVERTY ACTION

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. The Organization progressively shut down offices and field work globally in line with regulatory restrictions imposed by relevant country, state or local authorities. The Organization will follow relevant regulatory guidance in resuming office and field activities. The Organization derives a significant portion of its revenues from program participation and other events and activities, some of which have been adapted to remote working, and the Organization continues to monitor its costs and staffing and adapt as it deems necessary.

On May 4, 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$1,497,500 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. The Organization considers PPP loans to be conditional contributions, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. The Association considers reviews of the application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended December 31, 2020, the Organization recognized \$1,455,860 as contribution income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through December 31, 2020. The remaining balance of \$41,640 of the PPP loan is classified as a deferred revenue on the accompanying statement of financial position. On July 22, 2021, management received notification of forgiveness by the SBA. The forgiveness of this loan is subject to audit by the SBA for a period of six years.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors
Innovations for Poverty Action
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Innovations for Poverty Action, which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innovations for Poverty Action's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Innovations for Poverty Action's internal control. Accordingly, we do not express an opinion on the effectiveness of Innovations for Poverty Action's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Innovations for Poverty Action's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Innovations for Poverty Action's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innovations for Poverty Action's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

West Hartford, Connecticut
August 3, 2021

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