

# INNOVATIONS FOR POVERTY ACTION



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

Year Ended December 31, 2021

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**INNOVATIONS FOR POVERTY ACTION**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEAR ENDED DECEMBER 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Innovations for Poverty Action

### Report on the Audit of the Financial Statements

#### *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, 2021, 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 referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

#### *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.



New York, NY  
September 30, 2022

**INNOVATIONS FOR POVERTY ACTION  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2021**

**ASSETS**

Cash and cash equivalents (Notes 2D and 11A)	\$ 17,883,871
Restricted cash (Notes 2D and 7B)	199,888
Grants and contracts receivable, net (Notes 2F and 2G)	9,634,369
Contributions receivable (Notes 2E and 4)	1,405,012
Other receivable, net	310,460
Prepaid expenses and other assets (Note 2I)	1,089,814
Property and equipment, net (Notes 2J and 5)	<u>287,849</u>

**TOTAL ASSETS** \$ 30,811,263

**LIABILITIES**

Accounts payable and accrued expenses (Notes 7C and 7E)	\$ 4,172,623
Accrued salaries, vacation and other benefits	478,170
Refundable advance (Note 10)	41,640
Deferred revenue (Notes 2F and 2K)	<u>19,491,648</u>

**TOTAL LIABILITIES** 24,184,081

**COMMITMENTS AND CONTINGENCIES** (Note 7)

**NET ASSETS** (Notes 2B and 8)

Net assets without donor restrictions	5,222,170
Net assets with donor restrictions	<u>1,405,012</u>

**TOTAL NET ASSETS** 6,627,182

**TOTAL LIABILITIES AND NET ASSETS** \$ 30,811,263

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES:</b>			
<b>REVENUE, GRANTS AND OTHER</b>			
Public Support			
Grants - government, foundations, private sector and other (Notes 2F and 7D)	\$ 32,282,973	\$ -	\$ 32,282,973
Contracts - universities (Notes 2F, 2G and 7D)	7,749,404	-	7,749,404
Contributions (Notes 2E and 2H)	4,645,805	1,385,012	6,030,817
Paycheck Protection Program grant (Note 10)	1,455,800	-	1,455,800
Consultancy and other income	290,317	-	290,317
Net assets released from restrictions (Notes 2B and 8)	<u>771,255</u>	<u>(771,255)</u>	<u>-</u>
<b>TOTAL REVENUE, GRANTS AND OTHER</b>	<u>47,195,554</u>	<u>613,757</u>	<u>47,809,311</u>
<b>EXPENSES (Note 2L):</b>			
Program services	34,979,236	-	34,979,236
Management and general	8,054,906	-	8,054,906
Fundraising	<u>534,191</u>	<u>-</u>	<u>534,191</u>
<b>TOTAL EXPENSES</b>	<u>43,568,333</u>	<u>-</u>	<u>43,568,333</u>
<b>Change In Net Assets From Operations Before Foreign Currency Translation Adjustment</b>	3,627,221	613,757	4,240,978
Foreign currency translation adjustment (Note 2M)	<u>(141,240)</u>	<u>-</u>	<u>(141,240)</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	3,485,981	613,757	4,099,738
<b>Net assets - beginning of year</b>	<u>1,736,189</u>	<u>791,255</u>	<u>2,527,444</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,222,170</u>	<u>\$ 1,405,012</u>	<u>\$ 6,627,182</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	\$ 15,864,444	\$ 4,177,580	\$ 240,450	\$ 20,282,474
Payroll taxes and other benefits (Note 9)	<u>2,766,584</u>	<u>1,766,344</u>	<u>123,944</u>	<u>4,656,872</u>
Total salaries and related costs	18,631,028	5,943,924	364,394	24,939,346
Professional fees (Note 2H)	3,062,500	1,240,943	12,274	4,315,717
Subgrants	2,966,351	-	-	2,966,351
Travel and transportation	3,262,137	43,754	1,108	3,306,999
Occupancy (Note 7A)	775,457	146,615	18,432	940,504
Other operating expenses	926,012	76,429	65,953	1,068,394
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 (Note 2H)	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>
<b>TOTAL EXPENSES</b>	<u>\$ 34,979,236</u>	<u>\$ 8,054,906</u>	<u>\$ 534,191</u>	<u>\$ 43,568,333</u>

**INNOVATIONS FOR POVERTY ACTION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets	\$	4,099,738
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		80,617
Loss on disposal of equipment		16,559
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants and contracts receivable, net		(3,317,084)
Contributions receivable, net		(613,757)
Other receivable, net		154,630
Prepaid expenses and other assets		197,228
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses		392,065
Accrued salaries, vacation and other benefits		(585,627)
Deferred revenue		<u>1,285,792</u>
<b>Net Cash Provided by Operating Activities</b>		<u>1,710,161</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of property and equipment		<u>(3,756)</u>
<b>Net Cash Used in Investing Activities</b>		<u>(3,756)</u>

**NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

1,706,405

Cash, cash equivalents and restricted cash - beginning of year		<u>16,377,354</u>
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<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$</b>	<u><u>18,083,759</u></u>
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**Supplemental Disclosure of Cash Flow Information:**

Cash paid during the year for income tax liabilities	\$	<u><u>223,611</u></u>
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**INNOVATIONS FOR POVERTY ACTION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Innovations for Poverty Action (the “Organization”) is a global research and policy nonprofit committed to reducing global poverty with evidence, with a long-term presence in 22 countries in Africa, Asia, Latin America and the Caribbean. The Organization leads the field of development in cutting-edge research quality and innovation. With a network of researchers, the Organization designs and tests innovative solutions, supports partners to generate and use data and evidence, and helps bring proven approaches to scale in the real world. Since the founding of the Organization in 2002, the Organization’s research has led to better programs and policies that have impacted hundreds of millions of people 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 2021, the Organization’s accomplishments are as follows:

In 2021, the Organization continued to work to understand how the COVID-19 pandemic affected vulnerable populations and to what extent cash or other social protection measures could help the poor overcome the crisis. Through several research initiatives, such as the Research for Effective COVID-19 Responses (“RECOVR”) initiative or the Women’s Work, Entrepreneurship and Skilling (“WWES”) initiative, the Organization generated and disseminated evidence of the economic toll of the pandemic, and provided decision-makers with rigorous data to mitigate the impact of the crisis. These efforts, informed decision-making in several countries, including Colombia, Burkina Faso, the Philippines, Sierra Leone and Rwanda.

The Organization, in partnership with researchers from Stanford and Yale and in collaboration with local partners, such as A2i and the Bangladeshi NGO GreenVoice, found that a four-part model named “NORM,” tripled community mask-wearing at a low cost and measurably reduced community-based COVID-19 in Bangladesh. In 2021, the Organization supported the widespread dissemination of this evidence and the expansion of this model in Bangladesh, India, Pakistan and Nepal, reaching over 100 million people and potentially saving tens of thousands of lives.

**Education**

The education sector program at the Organization rigorously evaluates programs that aim to improve education outcomes, increase access to and quality of early childhood education, and improve school attendance, among other goals. In 2021, the Organization designed and implemented several studies to support remote learning, and advised on the development of remote education programs in Latin America. The Organization also supported the governments of Ghana and Zambia with evidence-based policy approaches to promote learning and early childhood education.

**Financial Inclusion**

The Organization’s financial inclusion program works to improve the financial health of economically vulnerable individuals, households, and firms through research. The program’s largest initiative is the Consumer Protection Research Initiative, a \$5.4 million research facility funded by the Bill & Melinda Gates Foundation. This year, as part of this initiative, the Organization launched more than a dozen studies and developed partnerships with practitioners in Bangladesh, Kenya, Mexico, Nigeria, Peru, the Philippines, Sierra Leone, Uganda, and other emerging markets to address consumers’ financial risks through new methods of data analysis and impact assessments. The Organization also launched the Interoperable Payment Systems Project, a \$3.5 million funding facility that evaluates the effectiveness of interoperability policies and measures the impact of these payment systems on households in emerging markets, and the Transaction Cost Index, a two-year project that measures the true cost of completing mobile money transactions.

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

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

**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 2021, the Organization funded 14 new projects through its Peace & Recovery Competitive Fund, including access to justice for displaced women in Somalia, on reducing police violence through cognitive behavioral therapy in Mexico and body-worn cameras in Brazil, and increasing social cohesion between refugees and host community members in Lebanon and Uganda. As more of the organization's projects in this area have results, staff have also focused on strategic dissemination and policy engagement. To that end, in 2021, the Organization held over 20 events profiling results, and engaged bilaterally with many organizations on their application, including United States Agency for International Development ("USAID"); the Mexico City Ministry of Public Security; Mercy Corps; the Mayor's Office of Cali, Colombia; and the German Agency for International Cooperation (GIZ).

**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, the Organization designs and implements randomized evaluations to measure the effectiveness of programs and policies aimed at helping the poor. The Organization specializes 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.

**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").
- 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 statement of activities as net assets released from restrictions.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 statement of cash flows:

	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Cash and cash equivalents	\$ 17,883,871	\$ 16,177,565
Restricted cash	<u>199,888</u>	<u>199,789</u>
Total in the statement of cash flows	<u>\$ 18,083,759</u>	<u>\$ 16,377,354</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 \$32,282,973 for the year ended December 31, 2021.

As of December 31, 2021, the Organization received conditional grants and contracts from government agencies, foundations, private sector and universities in the aggregate amount of approximately \$20,807,000. 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 contract 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).

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the year ended December 31, 2021, the Organization's grants and contracts from universities amounted to \$7,749,404.

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 \$19.5 million as of December 31, 2021, 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 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 receivable based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables, current economic conditions and historical experience. As of December 31, 2021, the Organization determined that an allowance of approximately \$496,000 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.
- 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 statement 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 received for conditional grants and contributions. Deferred also includes cash in advance of conference events that are to be held after the date of the statement of financial position.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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, 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 component of support and revenue in current operations.

**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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021:

Cash and cash equivalents	\$ 17,883,871
Grants and contracts receivable, net	9,634,369
Contributions receivable due in less than one year	1,405,012
Other receivable, net	<u>310,460</u>
	<u>\$ 29,233,712</u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following as of December 31, 2021:

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

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

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2021:

Leasehold improvements	\$	337,335
Computer equipment		664,434
Vehicles		259,654
Furniture and fixtures		61,043
Construction in progress		<u>86,292</u>
		1,408,758
Less: Accumulated depreciation and amortization		<u>(1,120,909)</u>
Net book value	\$	<u>287,849</u>

Depreciation and amortization expense was \$80,617 for the year ended December 31, 2021. 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.

**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 3.25% as of December 31, 2021. The line of credit is collateralized by substantially all of the Organization’s assets. As of December 31, 2021 and September 30, 2022 there were \$0 borrowings on the line of credit.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

A. 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 January 2024. Future minimum lease payments are as follows for the years ended December 31:

2022	\$	463,276
2023		118,548
2024		<u>36,625</u>
	\$	<u>618,449</u>

For the year ended December 31, 2021, rent expense amounted to approximately \$682,000, of which approximately \$470,000 is related to foreign operations.

B. The Organization has an outstanding letter of credit of \$199,888 as of December 31, 2021. 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  
DECEMBER 31, 2021**

**NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)**

- C. 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, 2021, which is reflected in the accompanying statement of financial position in accounts payable and accrued expenses.
- D. 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.
- E. In the normal course of its operations, the Organization is a defendant in various legal proceedings. As of December 31, 2021, the likelihood of an unfavorable outcome of a potential loss from the legal proceedings is an estimated liability of approximately \$828,000, which is reflected in the accompanying statement of financial position in accounts payable and accrued expenses.
- F. The Organization believes it has no uncertain tax positions as of December 31, 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 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purpose as of December 31, 2021:

Time and purpose restricted	\$ <u>1,405,012</u>
	\$ <u>1,405,012</u>

For the year ended December 31, 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 \$771,255.

**NOTE 9 – 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 \$503,737 for the year ended December 31, 2021.

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

**NOTE 10 – PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE**

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.

The Organization applied for this 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 has 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. As of December 31, 2021, the Organization has an outstanding refundable advance amount of \$41,640, which represents the remaining balance from a PPP refundable advance received in May 2020 which was not forgiven by the SBA as the conditions were not met.

**NOTE 11 – 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. As of December 31, 2021, there was approximately \$15,463,000 of cash and cash equivalents held by banks that exceeded FDIC limits.
- B. As of December 31, 2021, assets in other countries, including cash, totaled \$781,049, property and equipment, net of accumulated depreciation and amortization, amounted to \$7,951 and liabilities in other countries were \$982,045. Total overseas support and revenue received from foreign sources amounted to \$9,911,137 for the year ended December 31, 2021. Account balances relating to foreign operations are reflected in the financial statements in U.S. dollars.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 30, 2022, the date the financial statements were available to be issued.