International Budget Partnership and Affiliate

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2015

International Budget Partnership and Affiliate

Consolidated Financial Statements
December 31, 2015

Contents

ROGERS & COMPANY

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Budget Partnership and Affiliate

We have audited the accompanying consolidated financial statements of the International Budget Partnership and Affiliate (collectively, "the Organization"), which comprise the consolidated statement of financial position as of December 31, 2015, the related consolidated statements of activities and cash flows for the six month period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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Auditor's Responsibility (continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on page 12 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Rogers + Company PLLC

Vienna, Virginia
May 18, 2016

International Budget Partnership and Affiliate

Consolidated Statement of Financial Position
December 31, 2015

Assets	
Cash and cash equivalents	$ 10,284,985
Accounts receivable	7,657
Grants receivable	2,786,590
Prepaid expenses	69,734
Deposits	95,651
Property and equipment, net	34,940
Total assets	$ 13,279,557
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	$ 608,999
Deferred revenue	145,950
Deferred rent	6,846
Total liabilities	761,795
Net Assets	
Unrestricted:	
Undesignated	121,537
Board-designated	1,000,000
Total unrestricted	1,121,537
Temporarily restricted	11,396,225
Total net assets	12,517,762
Total liabilities and net assets	$ 13,279,557

See accompanying notes.

International Budget Partnership and Affiliate

Consolidated Statement of Activities
For the Six Month Period Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	$ 2,218,049	$ 14,456,491	$ 16,674,540
Contract income	936,101	-	936,101
Loss on foreign exchange rate	(23,789)	-	(23,789)
Interest income	315	-	315
Other income	27,643	-	27,643
Released from restrictions	3,060,266	(3,060,266)	-
Total revenue and support	6,218,585	11,396,225	17,614,810
Expenses			
Program services:			
Research	1,209,842	-	1,209,842
Catalyst country strategies	1,753,997	-	1,753,997
Advocacy	111,619	-	111,619
Global Initiative for Fiscal Transparency	575,592	-	575,592
Training, technical assistance, and networking	210,794	-	210,794
Learning	116,667	-	116,667
Communications	269,581	-	269,581
Total program services	4,248,092	-	4,248,092
Supporting services:			
Management and general	750,438	-	750,438
Fundraising	98,518	-	98,518
Total supporting services	848,956	-	848,956
Total expenses	5,097,048	-	5,097,048
Change in Net Assets	1,121,537	11,396,225	12,517,762
Net Assets, beginning of period	-	-	-
Net Assets, end of period	$ 1,121,537	$ 11,396,225	$ 12,517,762

See accompanying notes.

International Budget Partnership and Affiliate

Consolidated Statement of Cash Flows
For the Six Month Period Ended December 31, 2015

Cash Flows from Operating Activities	
Change in net assets	$ 12,517,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,357
Change in operating assets and liabilities:	
Increase in:	
Accounts receivable	(7,657)
Grants receivable	(2,786,590)
Prepaid expenses	(69,734)
Deposits	(95,651)
Increase in:	
Accounts payable and accrued expenses	608,999
Deferred revenue	145,950
Deferred rent	6,846
Net cash provided by operating activities	10,325,282
Cash Flows from Investing Activity	
Purchases of property and equipment	(40,297)
Net cash used in investing activity	(40,297)
Net Increase in Cash and Cash Equivalents	10,284,985
Cash and Cash Equivalents, beginning of period	-
Cash and Cash Equivalents, end of period	$ 10,284,985

See accompanying notes.

1. Nature of Operations

The International Budget Partnership (IBP) was organized in 2015 as a not-for-profit organization. IBP has taken on the challenge of making public finance systems worldwide more transparent and accountable through its work in four interlinked areas that combine country-based civil society pressure with increased pressure from international institutions, together with efforts to generate effective advocacy for more open and responsive budgeting. These four areas are:

- *Building organizations:* strengthening civil society organizations and networks by developing the skills and relationships needed to improve budget processes and create change in the countries where they operate.

- *Opening budgets:* researching, measuring, and monitoring budget transparency, participation, and accountability around the world to build an evidence base promoting greater openness.

- *Establishing global norms:* engaging with a wide-range of international stakeholders, including donors, government oversight institutions, and international NGOs, to play a greater role in budget issues.

- *Learning what works:* producing rigorous evidence, analysis, and case studies on the impact of IBP and its partners to inform more strategic and effective practices.

The International Budget Partnership – Kenya (IBP Kenya), was incorporated in 2014 under the Kenyan Companies Act as a private company limited by guarantee. IBP Kenya is a not-for-profit organization whose main objective is to collaborate with civil society around the world to use budget analysis and advocacy as a tool to improve effective governance and reduce poverty.

2. Summary of Significant Accounting Policies

<u>Principles of Consolidation</u>

Consolidated financial statements are presented due to IBP's controlling financial interest in IBP Kenya. All significant intercompany balances and transactions have been eliminated in consolidation. Except when referred to separately, all entities are collectively referred to as "the Organization" throughout the accompanying consolidated financial statements and related notes.

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations. Included in unrestricted net assets at December 31, 2015 is a $1,000,000 Board-designated reserve, which is set aside for future strategic efforts and projects.

- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or by the passage of time.

- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations or restricted purposes imposed by the donors.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Grants Receivable

Grants receivable represent amounts committed to the Organization and are recorded at net realizable value. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. All grants receivable are due within one year.

2. Summary of Significant Accounting Policies (continued)

Grants Receivable (continued)

Management believes that all grants receivable are collectible at December 31, 2015, and accordingly, no allowance for uncollectible accounts has been established.

Property and Equipment

Property and equipment acquisitions with a cost greater than $2,500 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three years for furniture, fixtures, and equipment assets. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Contract income is recognized when earned as services are performed. Amounts received in advance are recorded as deferred revenue until they are expended for the purpose of the contract, at which time they are recognized as revenue.

Revenue from all other sources is recognized when earned.

Foreign Currency Translation

The U.S. dollar is the functional currency for all of the Organization's transactions, including overseas operations. Transactions in the Kenyan Shilling are converted using the monthly weighted average exchange rate. The accompanying statement of financial position of IBP Kenya was translated into U.S. dollars using the closing exchange rate as of December 31, 2015.

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2016, the date the consolidated financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents. The Organization maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). The Organization has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Property and Equipment

Property and equipment consists of the following at December 31, 2015:

Furniture and fixtures, and equipment	$	40,297
Less: accumulated depreciation		(5,357)
Property and equipment, net	$	34,940

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2015:

Time restricted	$	5,497,192
Purpose restricted:		
Catalyst country strategies		2,714,919
SPARK		2,000,000
Advocacy		147,246
Global Initiative for Fiscal Transparency		1,036,868
Total temporarily restricted net assets	$	11,396,225

6. Commitments

Operating Leases

The Organization leases office space under the terms of a non-cancellable office lease agreement that expires on December 31, 2018. The lease terms require minimum monthly rental payments of $35,880 and contains escalation provisions requiring scheduled annual increases of approximately 2%. The effects of the scheduled rent increases are being recognized by the Organization on a straight-line basis over the life of the leases, in accordance with accounting principles generally accepted in the United States of America. The difference between rent paid and straight-line rent expense is reflected as deferred rent in the accompanying consolidated statement of financial position.

The Organization also leases office space in Kenya on a month-to-month basis that calls for rental payments of approximately $700 per month.

The minimum future lease payments under the lease are as follows for the years ending December 31:

2016	$	437,718
2017		446,472
2018		455,402
Total future minimum lease payments	$	1,339,592

Occupancy expense under the operating leases was $251,669 for the period ended December 31, 2015.

7. Retirement Plan

The Organization maintains a tax-deferred annuity plan that meets the requirements of Section 403(b) of the Internal Revenue Code (IRC). Employees may contribute to the plan, subject to Internal Revenue Service requirements. At the completion of six months of service, employees become eligible for employer contributions that vary depending on salary and tenure. For the six-month period ended December 31, 2015, the Organization recorded contributions to the plan totaling $45,582.

8. Income Taxes

IBP is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). At December 31, 2015, no tax provision was made, as IBP had no unrelated business income. Contributions to IBP are deductible as provided in IRC Section 170(b)(1)(A)(vi).

IBP Kenya qualifies for exemption from Kenyan corporate tax under the provisions of paragraph 10 of the 1st schedule to the Income Tax Act, Cap 470.

Management has evaluated the Organization's tax positions and concluded that the Organization's consolidated financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

International Budget Partnership and Affiliate

Consolidated Schedule of Functional Expenses
For the Six Month Period Ended December 31, 2015

	Program Services							Supporting Services		
	Research	Catalyst Country Strategies	Advocacy	Global Initiative for Fiscal Transparency	Training, Technical Asst., and Networking	Learning	Communi-cations	Management and General	Fundraising	Total Expenses
Personnel costs	$ 467,462	$ 503,619	$ 67,088	$ 67,043	$ 157,143	$ 76,312	$ 199,594	$ 302,008	$ 75,870	$ 1,916,139
Consultants	302,365	300,366	20,776	316,793	24,665	27,406	35,271	146,809	7,891	1,182,342
Bank fees	2,076	1,880	222	923	483	208	641	1,287	243	7,963
Meeting and conferences	89,136	25,122	-	58,888	11	-	20	124,722	-	297,899
Grants	68,500	786,728	-	(6,579)	-	-	-	(4,601)	-	844,048
Supplies	1,922	3,741	73	656	776	216	729	11,258	278	19,649
Printing and copying	16,228	2,297	7	422	12	7	40	717	7	19,737
Dues and subscriptions	504	428	40	1,306	840	70	576	5,319	79	9,162
Postage and delivery	1,724	768	4	65	129	6	95	2,771	4	5,566
Occupancy	61,612	58,937	3,394	9,980	19,258	8,985	30,505	47,331	11,667	251,669
Repairs and maintenance	49	41	6	2	12	6	14	3,770	5	3,905
Taxes and licenses	-	199	-	-	-	-	-	-	-	199
Telephone	1,642	1,392	95	654	869	146	132	2,511	52	7,493
Staff travel	80,704	24,976	19,129	264	2,974	2,459	40	67,115	1,646	199,307
Non-staff travel	107,832	39,982	273	121,287	1,531	201	18	17,371	8	288,503
Equipment purchase and rental	3,319	(421)	11	1,881	69	(13)	120	15,875	60	20,901
Depreciation	1,409	1,008	77	225	438	204	696	1,034	266	5,357
Information technology	3,358	2,934	424	1,782	1,584	454	1,090	5,141	442	17,209
Total Expenses	$ 1,209,842	$ 1,753,997	$ 111,619	$ 575,592	$ 210,794	$ 116,667	$ 269,581	$ 750,438	$ 98,518	$ 5,097,048