

**International Budget Partnership and Affiliate**

Consolidated Financial Statements  
and Independent Auditors' Report

December 31, 2016

# International Budget Partnership and Affiliate

Consolidated Financial Statements  
December 31, 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
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, 2016, the related consolidated statements of activities and cash flows for year 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 from 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.

***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, 2016, and the changes in its net assets and its cash flows for year 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 13 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.



Vienna, Virginia  
May 9, 2017

## International Budget Partnership and Affiliate

### Consolidated Statement of Financial Position December 31, 2016

<b>Assets</b>	
Cash and cash equivalents	\$ 11,142,724
Accounts receivable	8,413
Grants receivable	5,877,168
Prepaid expenses	140,049
Deposits	94,126
Property and equipment, net	<u>29,675</u>
Total assets	<u><u>\$ 17,292,155</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 1,294,031
Deferred revenue	192,689
Deferred rent	<u>13,377</u>
Total liabilities	<u>1,500,097</u>
<b>Net Assets</b>	
Unrestricted:	
Undesignated	2,380,242
Board-designated	<u>1,528,011</u>
Total unrestricted	3,908,253
Temporarily restricted	<u>11,883,805</u>
Total net assets	<u>15,792,058</u>
Total liabilities and net assets	<u><u>\$ 17,292,155</u></u>

## International Budget Partnership and Affiliate

Consolidated Statement of Activities  
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 1,432,095	\$ 11,818,708	\$ 13,250,803
Contract income	85,862	-	85,862
Loss on foreign exchange rate	(158,677)	-	(158,677)
Interest income	2,938	-	2,938
Other income	9,121	-	9,121
Released from restrictions	11,331,128	(11,331,128)	-
<b>Total revenue and support</b>	<b>12,702,467</b>	<b>487,580</b>	<b>13,190,047</b>
<b>Expenses</b>			
Program services:			
Research	2,371,856	-	2,371,856
Catalyst country strategies	2,113,569	-	2,113,569
Advocacy	455,367	-	455,367
Global Initiative for Fiscal Transparency	1,190,916	-	1,190,916
Training, technical assistance, and networking	1,029,118	-	1,029,118
Learning	449,968	-	449,968
Strategic initiatives	254,434	-	254,434
Communications	532,686	-	532,686
<b>Total program services</b>	<b>8,397,914</b>	<b>-</b>	<b>8,397,914</b>
Supporting services:			
Management and general	1,220,196	-	1,220,196
Fundraising	297,641	-	297,641
<b>Total supporting services</b>	<b>1,517,837</b>	<b>-</b>	<b>1,517,837</b>
<b>Total expenses</b>	<b>9,915,751</b>	<b>-</b>	<b>9,915,751</b>
<b>Change in Net Assets</b>	<b>2,786,716</b>	<b>487,580</b>	<b>3,274,296</b>
<b>Net Assets, beginning of year</b>	<b>1,121,537</b>	<b>11,396,225</b>	<b>12,517,762</b>
<b>Net Assets, end of year</b>	<b>\$ 3,908,253</b>	<b>\$ 11,883,805</b>	<b>\$ 15,792,058</b>

See accompanying notes.

## International Budget Partnership and Affiliate

### Consolidated Statement of Cash Flows For the Year Ended December 31, 2016

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 3,274,296
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,715
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(756)
Grants receivable	(3,090,578)
Prepaid expenses	(70,315)
Deposits	1,525
Increase in:	
Accounts payable and accrued expenses	685,032
Deferred revenue	46,739
Deferred rent	6,531
	<hr/>
Net cash provided by operating activities	863,189
	<hr/>
<b>Cash Flows from Investing Activity</b>	
Purchases of property and equipment	(5,450)
	<hr/>
Net cash used in investing activity	(5,450)
	<hr/>
<b>Net Increase in Cash and Cash Equivalents</b>	857,739
<b>Cash and Cash Equivalents, beginning of year</b>	10,284,985
	<hr/>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 11,142,724</u>

# International Budget Partnership and Affiliate

Notes to Consolidated Financial Statements

December 31, 2016

## 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

### Principles of Consolidation

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.

## International Budget Partnership and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2016

### 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, 2016 is a \$1,528,011 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.

## International Budget Partnership and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### 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. Management believes that all grants receivable are collectible at December 31, 2016, 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.

## International Budget Partnership and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Foreign Currency Translation

The U.S. dollar is the functional currency for all of the Organization's transactions, including overseas operations. Foreign currency denominated assets and liabilities of IBP Kenya are remeasured into U.S. dollars based on exchange rates prevailing at the end of the period, except for property and equipment, which is remeasured at historical exchange rates. Revenues and expenses are remeasured at average exchange rates during the period, except for those revenues and expenses related to the previously noted statement of financial position amounts, which are remeasured at historical exchange rates.

#### 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.

#### Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

#### Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 9, 2017, the date the consolidated financial statements were available to be issued.

## International Budget Partnership and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2016

### 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, 2016:

Furniture and fixtures, and equipment	\$ 45,747
Less: accumulated depreciation	<u>(16,072)</u>
Property and equipment, net	<u><u>\$ 29,675</u></u>

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2016:

Time restricted	\$ 7,890,563
Purpose restricted:	
Research	157,307
Catalyst country strategies	1,118,883
SPARK	2,056,845
Advocacy	39,254
Global Initiative for Fiscal Transparency	<u>620,953</u>
Total temporarily restricted net assets	<u><u>\$ 11,883,805</u></u>

## International Budget Partnership and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2016

### 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 contain 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:

2017	\$	446,472
2018		<u>455,402</u>
Total future minimum lease payments	\$	<u><u>901,874</u></u>

Occupancy expense under the operating leases totaled \$516,086 for the year ended December 31, 2016.

### 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 year ended December 31, 2016, the Organization recorded contributions to the plan totaling \$184,396.

## **International Budget Partnership and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2016

### **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, 2016, 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 1<sup>st</sup> schedule to the Income Tax Act, Cap 470.

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

**SUPPLEMENTARY INFORMATION**

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**International Budget Partnership and Affiliate**

Consolidated Schedule of Functional Expenses  
For the Year Ended December 31, 2016

	Program Services								Supporting Services		Total Expenses
	Research	Catalyst Country Strategies	Advocacy	Global Initiative for Fiscal Transparency	Training, Technical Asst., and Networking	Learning	Strategic Initiatives	Communi-cations	Management and General	Fundraising	
Personnel costs	\$ 857,019	\$ 954,621	\$ 238,079	\$ 377,928	\$ 511,027	\$ 341,650	\$ 33,230	\$ 412,564	\$ 599,879	\$ 205,245	\$ 4,531,242
Consultants	1,058,379	351,265	24,493	469,515	204,688	52,915	102,160	52,708	273,544	50,158	2,639,825
Bank fees	1,277	1,556	181	796	843	142	18	247	1,928	115	7,103
Meeting and conferences	143,214	75,202	1,027	66,281	117,728	529	-	52	73,398	-	477,431
Grants	(5,965)	468,408	125,000	-	-	-	90,000	-	-	-	677,443
Supplies	4,913	6,382	612	1,765	3,523	2,431	164	1,732	19,465	734	41,721
Printing and copying	9,333	2,775	13	730	626	67	4	6,504	835	101	20,988
Dues and subscriptions	1,133	2,578	371	1,739	3,492	472	72	2,505	22,992	282	35,636
Postage and delivery	277	1,514	12	97	200	183	5	19	2,852	475	5,634
Occupancy	89,897	109,523	19,901	47,825	57,692	28,486	3,291	53,564	79,653	26,254	516,086
Repairs and maintenance	-	2,261	-	-	-	-	-	-	601	-	2,862
Taxes and licenses	24	532	8	12	16	13	1	11	153	6	776
Telephone	1,812	1,626	56	909	262	112	148	98	3,457	79	8,559
Staff travel	47,771	51,766	17,667	48,318	37,711	20,208	7,962	61	32,152	12,742	276,358
Non-staff travel	154,397	62,249	26,714	171,246	87,931	116	17,058	6	51,735	20	571,472
Equipment purchase and rental	28	14,260	21	20	35	275	-	20	38,306	16	52,981
Depreciation	2,013	1,597	454	1,082	1,307	649	76	1,209	1,737	591	10,715
Information technology	6,334	5,454	758	2,653	2,037	1,720	245	1,386	17,509	823	38,919
<b>Total Expenses</b>	<b>\$ 2,371,856</b>	<b>\$ 2,113,569</b>	<b>\$ 455,367</b>	<b>\$ 1,190,916</b>	<b>\$ 1,029,118</b>	<b>\$ 449,968</b>	<b>\$ 254,434</b>	<b>\$ 532,686</b>	<b>\$ 1,220,196</b>	<b>\$ 297,641</b>	<b>\$ 9,915,751</b>