

International Budget Partnership and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2019 and 2018

International Budget Partnership and Affiliates

Consolidated Financial Statements
December 31, 2019 and 2018

Contents

| | |
|--|------|
| Independent Auditors' Report..... | 1-2 |
| <i>Consolidated Financial Statements</i> | |
| Consolidated Statements of Financial Position..... | 3 |
| Consolidated Statements of Activities | 4-5 |
| Consolidated Statements of Functional Expenses | 6-7 |
| Consolidated Statements of Cash Flows..... | 8 |
| Notes to Consolidated Financial Statements..... | 9-19 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
International Budget Partnership and Affiliates

We have audited the accompanying consolidated financial statements of the International Budget Partnership and Affiliates (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018; the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
June 4, 2020

International Budget Partnership and Affiliates

Consolidated Statements of Financial Position December 31, 2019 and 2018

| | 2019 | 2018 |
|---------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 15,042,261 | \$ 17,904,732 |
| Accounts receivable | 29,886 | 17,340 |
| Grants receivable, net | 8,049,909 | 14,896,432 |
| Prepaid expenses | 181,335 | 284,711 |
| Deposits | 85,235 | 165,245 |
| Property and equipment, net | 1,568,938 | 1,639,788 |
| Total assets | <u>\$ 24,957,564</u> | <u>\$ 34,908,248</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 768,425 | \$ 893,143 |
| Grants payable | 506,227 | 191,000 |
| Refundable advances | 1,030,557 | - |
| Deferred rent and lease incentives | 2,102,923 | 1,673,762 |
| Total liabilities | <u>4,408,132</u> | <u>2,757,905</u> |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 308,970 | 47,084 |
| Board-designated | 2,567,021 | 2,551,668 |
| Total without donor restrictions | 2,875,991 | 2,598,752 |
| With donor restrictions | 17,673,441 | 29,551,591 |
| Total net assets | <u>20,549,432</u> | <u>32,150,343</u> |
| Total liabilities and net assets | <u>\$ 24,957,564</u> | <u>\$ 34,908,248</u> |

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Revenue and Support | | | |
| Grants and contributions | \$ 2,642,691 | \$ 636,222 | \$ 3,278,913 |
| Contract income | 179,592 | - | 179,592 |
| Interest income | 110,910 | - | 110,910 |
| Other income | 10,131 | - | 10,131 |
| Loss on foreign exchange rate | (23,170) | - | (23,170) |
| Released from restrictions | 12,514,372 | (12,514,372) | - |
| Total revenue and support | 15,434,526 | (11,878,150) | 3,556,376 |
| Expenses | | | |
| Program services: | | | |
| Research | 3,576,862 | - | 3,576,862 |
| Country strategies | 5,324,698 | - | 5,324,698 |
| Advocacy | 292,914 | - | 292,914 |
| Global Initiative for Fiscal Transparency | 808,162 | - | 808,162 |
| Training, technical assistance, and networking | 1,397,062 | - | 1,397,062 |
| Learning | 404,488 | - | 404,488 |
| Strategic initiatives | 368,839 | - | 368,839 |
| Communications | 714,903 | - | 714,903 |
| Tax | 243,636 | - | 243,636 |
| Climate | 71,166 | - | 71,166 |
| Total program services | 13,202,730 | - | 13,202,730 |
| Supporting services: | | | |
| Management and general | 1,271,452 | - | 1,271,452 |
| Fundraising | 683,105 | - | 683,105 |
| Total supporting services | 1,954,557 | - | 1,954,557 |
| Total expenses | 15,157,287 | - | 15,157,287 |
| Change in Net Assets | 277,239 | (11,878,150) | (11,600,911) |
| Net Assets, beginning of year | 2,598,752 | 29,551,591 | 32,150,343 |
| Net Assets, end of year | \$ 2,875,991 | \$ 17,673,441 | \$ 20,549,432 |

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Revenue and Support | | | |
| Grants and contributions | \$ 1,417,205 | \$ 18,685,865 | \$ 20,103,070 |
| Contract income | 118,365 | - | 118,365 |
| Interest income | 38,464 | - | 38,464 |
| Other income | 9,024 | - | 9,024 |
| Gain on foreign exchange rate | 18,671 | - | 18,671 |
| Released from restrictions | 8,233,656 | (8,233,656) | - |
| Total revenue and support | 9,835,385 | 10,452,209 | 20,287,594 |
| Expenses | | | |
| Program services: | | | |
| Research | 2,065,403 | - | 2,065,403 |
| Country strategies | 3,443,632 | - | 3,443,632 |
| Advocacy | 405,313 | - | 405,313 |
| Global Initiative for Fiscal Transparency | 957,162 | - | 957,162 |
| Training, technical assistance, and networking | 876,046 | - | 876,046 |
| Learning | 352,407 | - | 352,407 |
| Strategic initiatives | 1,093,604 | - | 1,093,604 |
| Communications | 511,352 | - | 511,352 |
| Total program services | 9,704,919 | - | 9,704,919 |
| Supporting services: | | | |
| Management and general | 1,135,199 | - | 1,135,199 |
| Fundraising | 531,324 | - | 531,324 |
| Total supporting services | 1,666,523 | - | 1,666,523 |
| Total expenses | 11,371,442 | - | 11,371,442 |
| Change in Net Assets | (1,536,057) | 10,452,209 | 8,916,152 |
| Net Assets, beginning of year | 4,134,809 | 19,099,382 | 23,234,191 |
| Net Assets, end of year | \$ 2,598,752 | \$ 29,551,591 | \$ 32,150,343 |

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

| | Program Services | | | | | | | | | | Supporting Services | | Total Expenses |
|--------------------------------|---------------------|---------------------|-------------------|---|---|-------------------|-----------------------|-------------------|-------------------|------------------|------------------------|-------------------|----------------------|
| | Research | Country Strategies | Advocacy | Global Initiative for Fiscal Transparency | Training, Technical Asst., and Networking | Learning | Strategic Initiatives | Communi-cations | Tax | Climate | Management and General | Fundraising | |
| Personnel costs | \$ 1,491,482 | \$ 2,121,730 | \$ 177,224 | \$ 337,607 | \$ 503,809 | \$ 285,550 | \$ 173,852 | \$ 438,049 | \$ 95,208 | \$ 46,096 | \$ 819,809 | \$ 505,773 | \$ 6,996,189 |
| Consultants and sub-contracts | 1,246,484 | 841,308 | 18,147 | 312,629 | 120,664 | 47,813 | 91,110 | 160,473 | 112,099 | 1,702 | 144,192 | 41,056 | 3,137,677 |
| Bank charges | 8,171 | 7,025 | 115 | 1,819 | 2,175 | 1,086 | 36 | 2,485 | 326 | 304 | 6,167 | 3,014 | 32,723 |
| Meeting and conferences | 149,537 | 155,309 | 9,901 | 2,422 | 166,465 | 922 | 5,364 | 1,354 | 699 | 5 | 27,916 | 62 | 519,956 |
| Grants | 57,500 | 1,387,937 | 30,000 | - | 205,300 | 10,000 | - | - | - | 12,750 | - | - | 1,703,487 |
| Office supplies and expense | 6,962 | 29,326 | 273 | 888 | 2,200 | 623 | 3,490 | 2,093 | 268 | 158 | 13,421 | 2,143 | 61,845 |
| Printing and copying | 7,012 | 7,664 | 41 | 65 | 748 | 52 | - | 6,638 | 19 | 79 | 1,059 | 813 | 24,190 |
| Dues and subscriptions | 8,279 | 8,939 | 969 | 3,319 | 2,802 | 9,012 | 10,013 | 13,430 | 507 | 619 | 27,920 | 9,592 | 95,401 |
| Postage and delivery | 377 | 2,814 | 21 | 49 | 275 | 69 | 29 | 270 | 1,484 | 9 | 608 | 232 | 6,237 |
| Occupancy | 198,174 | 243,552 | 2,141 | 46,381 | 50,468 | 27,716 | 21,082 | 60,705 | 2,778 | 6,828 | 115,899 | 67,073 | 842,797 |
| Repairs and maintenance | - | 6,192 | - | - | - | - | - | - | - | - | - | - | 6,192 |
| Taxes and licenses | 6,181 | 45,433 | - | 1,198 | 888 | 695 | 1,119 | 1,564 | 116 | 123 | (15,085) | 1,378 | 43,610 |
| Telephone | 9,781 | 9,405 | 965 | 2,822 | 3,277 | 1,477 | 1,451 | 3,235 | 177 | 317 | 8,666 | 4,783 | 46,356 |
| Staff travel | 59,492 | 232,238 | 18,164 | 44,629 | 76,854 | 10,168 | 1,554 | 1,289 | 19,306 | - | 23,353 | 24,879 | 511,926 |
| Non-staff travel | 261,688 | 109,840 | 32,253 | 38,327 | 244,195 | 575 | 287 | 3,328 | 8,432 | 98 | 45,774 | 830 | 745,627 |
| Equipment purchases and rental | 3,051 | 72,592 | 194 | 1,923 | 988 | 447 | 11,412 | 975 | 99 | 86 | 17,482 | 1,111 | 110,360 |
| Depreciation and amortization | 48,268 | 30,076 | 1,817 | 11,545 | 12,733 | 6,943 | 17,140 | 15,441 | 1,517 | 1,750 | 28,805 | 17,621 | 193,656 |
| Information technology | 14,423 | 13,318 | 689 | 2,539 | 3,221 | 1,340 | 30,900 | 3,574 | 601 | 242 | 5,466 | 2,745 | 79,058 |
| Total expenses | \$ 3,576,862 | \$ 5,324,698 | \$ 292,914 | \$ 808,162 | \$ 1,397,062 | \$ 404,488 | \$ 368,839 | \$ 714,903 | \$ 243,636 | \$ 71,166 | \$ 1,271,452 | \$ 683,105 | \$ 15,157,287 |

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Program Services | | | | | | | | Supporting Services | | Total Expenses |
|--------------------------------|---------------------|---------------------|-------------------|---|---|-------------------|-----------------------|-------------------|------------------------|-------------------|----------------------|
| | Research | Country Strategies | Advocacy | Global Initiative for Fiscal Transparency | Training, Technical Asst., and Networking | Learning | Strategic Initiatives | Communi-cations | Management and General | Fundraising | |
| Personnel costs | \$ 1,087,076 | \$ 1,436,833 | \$ 305,890 | \$ 400,794 | \$ 489,124 | \$ 225,220 | \$ 425,131 | \$ 345,901 | \$ 652,264 | \$ 407,144 | \$ 5,775,377 |
| Consultants and sub-contracts | 493,631 | 627,991 | 16,573 | 281,586 | 148,392 | 34,784 | 290,757 | 112,187 | 167,255 | 34,291 | 2,207,447 |
| Bank charges | 806 | 2,689 | 241 | 217 | 161 | 45 | 107 | 38 | 87 | 41 | 4,432 |
| Meeting and conferences | 55,601 | 115,855 | 23 | 38,500 | 25,573 | 14,357 | 27,000 | 28 | 67,001 | 108 | 344,046 |
| Grants | 27,140 | 784,059 | - | 5,110 | 59,000 | - | (9,454) | - | - | - | 865,855 |
| Office supplies and expense | 2,974 | 11,098 | 490 | 1,159 | 1,122 | 1,140 | 1,184 | 988 | 11,749 | 1,504 | 33,408 |
| Printing and copying | 13,084 | 7,258 | 48 | 158 | 219 | 61 | 45 | 68 | 2,719 | 46 | 23,706 |
| Dues and subscriptions | 5,309 | 6,461 | 1,285 | 4,860 | 2,637 | 6,976 | 12,611 | 3,823 | 18,842 | 4,049 | 66,853 |
| Postage and delivery | 96 | 1,776 | 12 | 33 | 188 | 13 | 28 | 23 | 1,475 | 100 | 3,744 |
| Occupancy | 103,132 | 140,827 | 23,011 | 46,970 | 41,772 | 25,950 | 48,252 | 40,109 | 87,853 | 45,763 | 603,639 |
| Repairs and maintenance | 38 | 4,740 | 11 | 19 | 16 | 13 | 22 | 22 | 31 | 17 | 4,929 |
| Taxes and licenses | - | 3,239 | - | - | - | - | - | - | 93 | - | 3,332 |
| Telephone | 2,943 | 4,675 | 627 | 2,071 | 971 | 537 | 1,286 | 905 | 4,697 | 2,090 | 20,802 |
| Staff travel | 86,342 | 166,613 | 40,527 | 72,466 | 34,056 | 19,985 | 30,126 | 718 | 79,491 | 31,079 | 561,403 |
| Non-staff travel | 173,017 | 101,489 | 12,624 | 98,015 | 67,982 | 20,556 | 190,324 | 2,172 | 22,214 | 2 | 688,395 |
| Equipment purchases and rental | 619 | 13,572 | 136 | 233 | 331 | 123 | 27,874 | 220 | 2,766 | 249 | 46,123 |
| Depreciation and amortization | 9,337 | 6,580 | 1,928 | 3,701 | 3,407 | 2,033 | 4,399 | 3,212 | 8,754 | 3,771 | 47,122 |
| Information technology | 4,258 | 7,877 | 1,887 | 1,270 | 1,095 | 614 | 43,912 | 938 | 7,908 | 1,070 | 70,829 |
| Total expenses | \$ 2,065,403 | \$ 3,443,632 | \$ 405,313 | \$ 957,162 | \$ 876,046 | \$ 352,407 | \$ 1,093,604 | \$ 511,352 | 1,135,199 | \$ 531,324 | \$ 11,371,442 |

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|-----------------|---------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (11,600,911) | \$ 8,916,152 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 193,656 | 47,122 |
| Change in present value discount | (91,231) | 47,232 |
| Lease incentives – buildout allowance | - | (1,514,700) |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (12,546) | (4,819) |
| Grants receivable | 6,937,754 | (9,657,331) |
| Prepaid expenses | 103,376 | (50,932) |
| Deposits | 80,010 | (13,901) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (124,718) | (23,635) |
| Grants payable | 315,227 | 61,431 |
| Refundable advances | 1,030,557 | - |
| Deferred rent and lease incentives | 429,161 | 1,662,609 |
| Net cash used in operating activities | (2,739,665) | (530,772) |
| Cash Flows from Investing Activity | | |
| Purchases of property and equipment | (122,806) | (147,574) |
| Net cash used in investing activity | (122,806) | (147,574) |
| Net Decrease in Cash and Cash Equivalents | (2,862,471) | (678,346) |
| Cash and Cash Equivalents, beginning of year | 17,904,732 | 18,583,078 |
| Cash and Cash Equivalents, end of year | \$ 15,042,261 | \$ 17,904,732 |
| Supplementary Disclosure of Non-Cash Investing Activity | | |
| Lease incentives – buildout allowance | \$ - | \$ 1,514,700 |

See accompanying notes.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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.

The International Budget Partnership – South Africa (IBP South Africa), was incorporated in 2017 under the terms of section 14 of the South African Companies Act of 2008. IBP South Africa is a not-for-profit organization whose main objective is to provide educational enrichment academic support, supplementary tuition, or outreach programs for the poor and needy.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

1. Nature of Operations (continued)

The International Budget Partnership – Netherlands (IBP Netherlands), was incorporated in 2016 with the municipality of Amsterdam. IBP Netherlands is a not-for-profit organization whose main objective is to reduce poverty in India, South Africa, Kenya, and other countries by promoting budget analysis and budget influence as a tool to improve effective governance and reduce poverty. IBP Netherlands had no operations during the years ended December 31, 2019 and 2018, and holds no significant assets at December 31, 2019 and 2018.

2. Summary of Significant Accounting Policies

Principles of Consolidation

Consolidated financial statements are presented due to IBP's controlling financial interest in IBP Kenya, IBP South Africa, and IBP Netherlands. 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.

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions (continued)* – Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

For the purpose of the consolidated statements 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. Grants due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. Management believes that all grants receivable are collectible at December 31, 2019 and 2018, 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 individual assets. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Expenditures for repairs and maintenance are expensed as incurred.

Refundable Advances

Advances received from grantors prior to incurring the costs are recorded as refundable advances in the accompanying consolidated statements of financial position.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization has grants that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2019 and 2018, the Organization received amounts under these grants totaling \$1,030,557 and \$-0-, respectively, for which the performance requirements had not been met and are included in refundable advances in the accompanying consolidated statements of financial position.

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. Foreign currency denominated assets and liabilities of IBP's foreign entities 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 consolidated statements of financial position amounts, which are remeasured at historical exchange rates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. The Organization did not have any advertising costs for the years ended December 31, 2019 and 2018.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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.

Change in Accounting Principles

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted, if applicable, the presentation in these consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented ASU 2018-08, applicable to both contributions received and to contributions made, in these consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued 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 consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 4, 2020, the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at December 31:

| | 2019 | 2018 |
|--|---------------|---------------|
| Cash and cash equivalents | \$ 15,042,261 | \$ 17,904,732 |
| Accounts receivable | 29,886 | 17,340 |
| Grants receivable, net | 8,049,909 | 14,896,432 |
| Total financial assets | 23,122,056 | 32,818,504 |
| Less: refundable advances | (1,030,557) | - |
| Less: Board-designated funds | (2,567,021) | (2,551,668) |
| Less: net assets with donor restrictions | (17,673,441) | (29,551,591) |
| Total available for general expenditures | \$ 1,851,037 | \$ 715,245 |

4. Concentrations of Risk

Revenue Risk

Substantial portions of the Organization's revenues were generated from two donors, which totaled \$2,486,730 for the year ended December 31, 2019. These amounts approximate 70% of the Organization's total revenue and support for the year ended December 31, 2019. Substantial portions of the Organization's revenues were generated from three donors, which totaled \$15,487,858 for the year ended December 31, 2018. These amounts approximate 76% of the Organization's total revenue and support for the year ended December 31, 2018.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

4. Concentrations of Risk (continued)

Receivable Risk

The Organization was owed \$5,749,191 and \$7,983,016 from two grantors, which accounted for 71% and 54% of grants receivable at December 31, 2019 and 2018, respectively.

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 Deposit 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.

5. Grants Receivable

Grants receivable consists of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|-----------------------------|
| Due in less than one year | \$ 5,454,891 | \$ 10,198,735 |
| Due in one to five years | <u>2,658,121</u> | <u>4,852,031</u> |
| Total grants receivable | 8,113,012 | 15,050,766 |
| Less: present value discount at rates ranging from 1.95% to 2.88% | <u>(63,103)</u> | <u>(154,334)</u> |
| Grants receivable, net | <u><u>\$ 8,049,909</u></u> | <u><u>\$ 14,896,432</u></u> |

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

6. Property and Equipment

Property and equipment consists of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Leasehold improvements | \$ 1,732,429 | \$ 1,619,798 |
| Furniture and equipment | 65,890 | 59,809 |
| Software | 36,588 | 36,588 |
| | <u>1,834,907</u> | <u>1,716,195</u> |
| Total property and equipment | | |
| Less: accumulated depreciation and amortization | <u>(265,969)</u> | <u>(76,407)</u> |
| Property and equipment, net | <u><u>\$ 1,568,938</u></u> | <u><u>\$ 1,639,788</u></u> |

7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|-----------------------------|
| Time restricted for future periods | \$ 3,104,104 | \$ 9,823,104 |
| Purpose restricted: | | |
| Country Strategies | 12,484,002 | 16,273,433 |
| Research | 808,772 | 1,486,276 |
| Institutional Strengthening | 1,151,805 | 1,411,484 |
| Advocacy | 31,913 | 82,457 |
| Global Initiative for Fiscal Transparency | 76,545 | 474,837 |
| Learning | 16,300 | - |
| | <u>17,673,441</u> | <u>29,551,591</u> |
| Total net assets with donor restrictions | <u><u>\$ 17,673,441</u></u> | <u><u>\$ 29,551,591</u></u> |

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

8. Commitments

Operating Leases

In 2015, the Organization entered into an operating lease agreement for office space, which commenced on July 1, 2015 and expired on December 31, 2018. The lease called for base monthly rent of \$35,880 and annual rental increases of 2%.

In 2017, the Organization entered into an operating lease agreement for office space, which commenced on September 1, 2018 and expires on August 31, 2029. The lease calls for base monthly rent of \$63,112 and annual rental increases of 2.50%, which does not include the pro rata share of the building's operating expenses and real estate taxes. The terms of the lease include certain lease incentives in the form of free rent for the first eight months of the first year of the lease, as well as partial lease abatement periods during the first two years of the lease. In addition, the lease terms provide for a leasehold improvement allowance up to \$1,514,700 for remodeling and renovation of the office space. The Organization used all of the leasehold improvement allowance to remodel and renovate the office space during the year ended December 31, 2018.

The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent, and the leasehold improvement allowance is reflected as deferred rent and lease incentives in the accompanying consolidated statements 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.

Total occupancy costs were \$842,797 and \$603,639 for the years ended December 31, 2019 and 2018, respectively.

The Organization also leases office equipment under various operating leases that expires at various dates through 2021.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

8. Commitments (continued)

Operating Leases (continued)

Future minimum lease payments under the lease agreements are as follows for the years ending December 31:

| | Office Lease | Equipment Leases | Total |
|--|---------------------|---------------------|---------------------|
| 2020 | \$ 551,074 | \$ 7,800 | \$ 558,874 |
| 2021 | 802,342 | 5,850 | 808,192 |
| 2022 | 822,370 | - | 822,370 |
| 2023 | 842,903 | - | 842,903 |
| 2024 | 863,940 | - | 863,940 |
| Thereafter | 4,323,066 | - | 4,323,066 |
| Total future minimum lease payments | <u>\$ 8,205,695</u> | <u>\$ 13,650</u> | <u>\$ 8,219,345</u> |

9. 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 years ended December 31, 2019 and 2018, the Organization recorded contributions to the plan totaling \$241,627 and \$198,550, respectively.

10. Allocation of Expenses from Management and General Activities

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include expense categories on the accompanying consolidated statements of functional expenses, which are allocated on the basis of estimates of time and effort.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

11. Income Taxes

IBP is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). 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.

IBP Netherlands qualifies for exemption from Dutch corporate tax under the provisions of public benefit organizations.

IBP South Africa qualifies for exemption from South African corporate tax under the provisions listed in Part II of the Ninth Schedule to the Income Tax Act 58 of 1962.

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