

International Budget Partnership and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2018 and 2017

International Budget Partnership and Affiliates

Consolidated Financial Statements
December 31, 2018 and 2017

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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, 2018 and 2017; 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, 2018 and 2017, 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.

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

Vienna, Virginia
May 8, 2019

International Budget Partnership and Affiliates

Consolidated Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 17,904,732	\$ 18,583,078
Accounts receivable	17,340	12,521
Grants receivable, net	14,896,432	5,286,333
Prepaid expenses	284,711	233,779
Deposits	165,245	151,344
Property and equipment, net	1,639,788	24,636
Total assets	<u>\$ 34,908,248</u>	<u>\$ 24,291,691</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 893,143	\$ 916,778
Grants payable	191,000	129,569
Deferred rent and lease incentives	1,673,762	11,153
Total liabilities	<u>2,757,905</u>	<u>1,057,500</u>
Net Assets		
Without donor restrictions:		
Undesignated	47,084	1,597,255
Board-designated	2,551,668	2,537,554
Total without donor restrictions	2,598,752	4,134,809
With donor restrictions	29,551,591	19,099,382
Total net assets	<u>32,150,343</u>	<u>23,234,191</u>
Total liabilities and net assets	<u>\$ 34,908,248</u>	<u>\$ 24,291,691</u>

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
Gain on foreign exchange rate	18,671	-	18,671
Interest income	38,464	-	38,464
Other income	9,024	-	9,024
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 Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 1,363,920	\$ 16,906,497	\$ 18,270,417
Contract income	136,241	-	136,241
Gain on foreign exchange rate	13,876	-	13,876
Interest income	10,823	-	10,823
Other income	9,793	-	9,793
Released from restrictions	9,690,920	(9,690,920)	-
Total revenue and support	11,225,573	7,215,577	18,441,150
Expenses			
Program services:			
Research	2,353,987	-	2,353,987
Country strategies	2,245,331	-	2,245,331
Advocacy	610,898	-	610,898
Global Initiative for Fiscal Transparency	1,118,938	-	1,118,938
Training, technical assistance, and networking	1,162,206	-	1,162,206
Learning	297,139	-	297,139
Strategic initiatives	1,679,537	-	1,679,537
Communications	505,467	-	505,467
Total program services	9,973,503	-	9,973,503
Supporting services:			
Management and general	734,432	-	734,432
Fundraising	291,082	-	291,082
Total supporting services	1,025,514	-	1,025,514
Total expenses	10,999,017	-	10,999,017
Change in Net Assets	226,556	7,215,577	7,442,133
Net Assets, beginning of year	3,908,253	11,883,805	15,792,058
Net Assets, end of year	\$ 4,134,809	\$ 19,099,382	\$ 23,234,191

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	Indirect Expenses	
Personnel costs	\$ 966,448	\$ 1,319,615	\$ 282,095	\$ 345,185	\$ 439,562	\$ 204,143	\$ 361,102	\$ 313,929	\$ 584,180	\$ 373,353	\$ 585,766	\$ 5,775,378
Consultants and sub-contracts	434,827	572,255	1,000	258,849	121,068	22,193	263,542	93,569	130,450	13,234	296,462	2,207,449
Bank charges	709	2,578	207	165	123	5	56	-	29	1	559	4,432
Meeting and conferences	55,530	115,792	-	38,470	25,539	14,342	26,960	-	66,960	79	375	344,047
Grants	27,140	784,059	-	5,110	59,000	-	(9,454)	-	-	-	-	865,855
Office supplies and expense	338	9,407	-	-	114	553	-	-	9,940	204	12,852	33,408
Printing and copying	13,027	7,203	34	130	205	42	17	47	2,682	27	293	23,707
Dues and subscriptions	429	1,829	-	2,990	400	5,994	10,675	2,283	15,925	2,247	24,082	66,854
Postage and delivery	38	1,716	-	-	160	-	-	1	1,436	78	317	3,746
Occupancy	-	69,138	-	-	-	-	-	-	9,735	-	524,766	603,639
Repairs and maintenance	-	4,708	-	-	-	-	-	-	-	-	221	4,929
Taxes and licenses	-	3,239	-	-	-	-	-	-	93	-	-	3,332
Telephone	277	2,835	85	1,057	18	-	47	-	2,996	981	12,503	20,799
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	173,013	101,486	12,623	98,013	67,981	20,555	190,322	2,170	22,211	-	20	688,394
Equipment purchases and rental	-	13,218	-	-	107	-	27,579	-	2,340	-	2,877	46,121
Depreciation and amortization	-	-	-	-	-	-	-	-	2,407	-	44,715	47,122
Information technology	1,461	5,216	1,254	-	-	-	42,417	100	6,474	-	13,905	70,827
Sub-total direct expenses	1,759,579	3,180,907	337,825	822,435	748,333	287,812	943,389	412,817	937,349	421,283	1,519,713	11,371,442
Allocated indirect expenses	305,824	262,725	67,488	134,727	127,713	64,595	150,215	98,535	197,850	110,041	(1,519,713)	-
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 Statement of Functional Expenses
For the Year Ended December 31, 2017

	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	Indirect Expenses	
Personnel costs	\$ 773,370	\$ 994,943	\$ 313,141	\$ 357,846	\$ 482,425	\$ 182,545	\$ 401,913	\$ 344,654	\$ 343,800	\$ 193,218	\$ 468,884	\$ 4,856,737
Consultants and sub-contracts	990,302	337,800	127,474	341,520	247,000	33,174	547,581	53,309	165,139	27,918	326,369	3,197,585
Bank charges	1,176	1,219	145	554	261	51	8	-	160	-	7,514	11,088
Meeting and conferences	87,258	74,571	1,960	59,628	69,731	88	100,948	39	10,507	-	636	405,366
Grants	4,000	420,815	4,000	-	18,301	-	338,088	-	-	-	-	785,204
Office supplies and expense	1,082	5,193	1,662	155	551	586	2,175	-	4,955	876	27,122	44,356
Printing and copying	9,560	12,384	396	302	1,373	132	306	23	697	88	5,580	30,840
Dues and subscriptions	64	555	51	2,428	34	4,110	350	2,565	33,923	-	5,051	49,129
Postage and delivery	16	1,317	3	-	236	-	-	16	2,350	44	206	4,187
Occupancy	101	39,712	-	-	-	-	-	-	9,196	-	478,166	527,174
Repairs and maintenance	-	4,036	-	-	-	-	-	-	-	-	-	4,036
Taxes and licenses	-	593	-	-	-	-	-	-	75	-	-	668
Telephone	858	1,488	122	1,150	227	-	224	-	3,822	93	14,722	22,705
Staff travel	54,992	61,185	11,425	65,694	52,712	14,753	61,105	116	10,663	11,531	1,005	345,179
Non-staff travel	145,225	62,707	66,373	145,213	128,920	3,570	70,332	-	5,012	-	7	627,359
Equipment purchases and rental	-	10,982	-	-	1,200	-	3,084	-	12,568	-	8,479	36,312
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	13,214	13,214
Information technology	144	3,455	1,242	157	81	-	11,430	52	8,057	77	13,184	37,878
Sub-total direct expenses	2,068,147	2,032,954	527,992	974,646	1,003,049	239,007	1,537,542	400,773	610,923	233,845	1,370,139	10,999,017
Allocated indirect expenses	285,840	212,377	82,906	144,292	159,157	58,132	141,995	104,694	123,509	57,237	(1,370,139)	-
Total expenses	\$ 2,353,987	\$ 2,245,331	\$ 610,898	\$ 1,118,938	\$ 1,162,206	\$ 297,139	\$ 1,679,537	\$ 505,467	\$ 734,432	\$ 291,082	\$ -	\$ 10,999,017

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 8,916,152	\$ 7,442,133
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	47,122	13,214
Change in present value discount	47,232	107,102
Lease incentives – buildout allowance	(1,514,700)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(4,819)	(4,108)
Grants receivable	(9,657,331)	483,733
Prepaid expenses	(50,932)	(93,730)
Deposits	(13,901)	(57,218)
Increase (decrease) in:		
Accounts payable and accrued expenses	(23,635)	(377,253)
Grants payable	61,431	(8,368)
Deferred revenue	-	(54,752)
Deferred rent and lease incentives	1,662,609	(2,224)
Net cash (used in) provided by operating activities	(530,772)	7,448,529
Cash Flows from Investing Activity		
Purchases of property and equipment	(147,574)	(8,175)
Net cash used in investing activity	(147,574)	(8,175)
Net (Decrease) Increase in Cash and Cash Equivalents	(678,346)	7,440,354
Cash and Cash Equivalents, beginning of year	18,583,078	11,142,724
Cash and Cash Equivalents, end of year	\$ 17,904,732	\$ 18,583,078
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, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017, and holds no significant assets at December 31, 2018 and 2017.

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. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. 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.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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, 2018 and 2017, 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.

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 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, 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. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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. 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 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, 2018 and 2017.

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in net assets previously reported.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. ASU has been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

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 statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

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.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 8, 2019, the date the consolidated financial statements were available to be issued.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets, sufficient to cover 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31:

	2018	2017
Cash and cash equivalents	\$ 17,904,732	\$ 18,583,078
Accounts receivable	17,340	12,521
Grants receivable, net	14,896,432	5,286,333
Less: Board-designated funds	(2,551,668)	(2,537,554)
Less: net assets with donor restrictions	(29,551,591)	(19,099,382)
Total available for general expenditures	<u>\$ 715,245</u>	<u>\$ 2,244,996</u>

4. Concentrations of Risk

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.

Revenue Risk

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. Substantial portions of the Organization's revenues were generated from the same three donors, which totaled \$10,947,000, for the year ended December 31, 2017. These amounts approximate 59% of the Organization's total revenue and support for the year ended December 31, 2017. Any reduction in the level of support from these donors could affect the Organization's activities.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

5. Grants Receivable

Grants receivable consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 10,198,735	\$ 1,799,115
Due in one to five years	<u>4,852,031</u>	<u>3,594,320</u>
Total grants receivable	15,050,766	5,393,435
Less: present value discount at rates ranging from 1.95% to 2.88%	<u>(154,334)</u>	<u>(107,102)</u>
Grants receivable, net	<u><u>\$ 14,896,432</u></u>	<u><u>\$ 5,286,333</u></u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 1,619,798	\$ -
Furniture and equipment	59,809	53,921
Software	<u>36,588</u>	<u>-</u>
Total property and equipment	1,716,195	53,921
Less: accumulated depreciation and amortization	<u>(76,407)</u>	<u>(29,285)</u>
Property and equipment, net	<u><u>\$ 1,639,788</u></u>	<u><u>\$ 24,636</u></u>

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

7. Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Time restricted for future periods	\$ 9,823,104	\$ 2,039,983
Purpose restricted:		
Country Strategies	16,273,433	16,046,371
Research	1,486,276	825,227
Institutional Strengthening	1,411,484	130,256
Advocacy	82,457	50,155
Global Initiative for Fiscal Transparency	474,837	7,390
	<u> </u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 29,551,591</u>	<u>\$ 19,099,382</u>

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 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.

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8. Commitments (continued)

Operating Leases (continued)

Total occupancy costs were \$603,639 and \$527,174 for the years ended December 31, 2018 and 2017, respectively.

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

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

	Office Lease	Equipment Leases	Total
2019	\$ 223,271	\$ 7,800	\$ 231,071
2020	517,112	7,800	524,912
2021	800,687	5,850	806,537
2022	820,673	-	820,673
2023	841,163	-	841,163
Thereafter	5,177,637	-	5,177,637
Total future minimum lease payments	<u>\$ 8,380,543</u>	<u>\$ 21,450</u>	<u>\$ 8,401,993</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, 2018 and 2017, the Organization recorded contributions to the plan totaling \$198,550 and \$194,487, respectively.

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10. Methods Used for 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.

11. Income Taxes

IBP is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). For the year ended December 31, 2018, IBP generated unrelated business income from taxable transportation fringe benefits of approximately \$30,000 and the estimated tax expense is approximately \$8,045. For the year ended December 31, 2017, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. 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.