

CONSOLIDATED FINANCIAL STATEMENTS

**INTERNATIONAL BUDGET PARTNERSHIP
AND AFFILIATES**

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International Budget Partnership and Affiliates
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of International Budget Partnership and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2022, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Prior Year Comparative Statements

The consolidated financial statements of the Organization for the year ended December 31, 2021 were audited by other auditors, whose report dated April 27, 2022, expressed an unmodified opinion on those statements.



May 31, 2023

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 13,610,554	\$ 15,249,503
Accounts receivable	58,865	64,424
Grants receivable, net	10,486,227	6,203,696
Prepaid expenses	294,827	286,717
Property and equipment, net	1,101,022	1,268,694
Deposits and other assets	191,784	194,753
Right-of-use asset, net	<u>3,923,732</u>	<u>-</u>
TOTAL ASSETS	\$ <u>29,667,011</u>	\$ <u>23,267,787</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 316,794	\$ 292,338
Accrued salaries and related benefits	267,081	331,300
Refundable advances	670,188	1,282,946
Deferred rent	-	2,009,118
Lease liability	<u>5,742,197</u>	<u>-</u>
Total liabilities	<u>6,996,260</u>	<u>3,915,702</u>

NET ASSETS

Without donor restrictions		
Undesignated	402,488	404,239
Board designated	<u>2,586,411</u>	<u>2,578,607</u>
Without donor restriction net assets	2,988,899	2,982,846
With donor restrictions	<u>19,681,852</u>	<u>16,369,239</u>
Total net assets	<u>22,670,751</u>	<u>19,352,085</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>29,667,011</u>	\$ <u>23,267,787</u>

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 4,007,061	\$ 14,348,223	\$ 18,355,284	\$ 10,742,960
Contracts	130,032	-	130,032	203,466
Interest income	44,846	-	44,846	29,625
Rental income	40,700	-	40,700	-
Other revenue	4,684	-	4,684	8,908
Gain on foreign exchange rate	5,261	-	5,261	54,944
Net assets released from donor restrictions	<u>11,035,610</u>	<u>(11,035,610)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>15,268,194</u>	<u>3,312,613</u>	<u>18,580,807</u>	<u>11,039,903</u>
EXPENSES				
Program Services:				
Research	2,729,166	-	2,729,166	3,251,561
Country Strategies	6,129,860	-	6,129,860	6,281,954
Advocacy	1,099,258	-	1,099,258	896,514
Global Initiative for Fiscal Transparency	736,284	-	736,284	705,900
Training, Technical Assistance and Networking	1,537,806	-	1,537,806	1,052,584
Learning	49,979	-	49,979	229,322
Strategic Initiatives	139,559	-	139,559	425,535
Communications	542,697	-	542,697	374,918
Tax	556,167	-	556,167	188,387
Climate	<u>103,852</u>	<u>-</u>	<u>103,852</u>	<u>327,325</u>
Total program services	<u>13,624,628</u>	<u>-</u>	<u>13,624,628</u>	<u>13,734,000</u>
Supporting Services:				
Management and General	1,216,742	-	1,216,742	1,215,226
Fundraising	<u>420,771</u>	<u>-</u>	<u>420,771</u>	<u>388,936</u>
Total supporting services	<u>1,637,513</u>	<u>-</u>	<u>1,637,513</u>	<u>1,604,162</u>
Total expenses	<u>15,262,141</u>	<u>-</u>	<u>15,262,141</u>	<u>15,338,162</u>
Change in net assets	6,053	3,312,613	3,318,666	(4,298,259)
Net assets at beginning of year	<u>2,982,846</u>	<u>16,369,239</u>	<u>19,352,085</u>	<u>23,650,344</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,988,899</u>	<u>\$ 19,681,852</u>	<u>\$ 22,670,751</u>	<u>\$ 19,352,085</u>

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

2022								
Program Services								
	Research	Country Strategies	Advocacy	Global Initiative for Fiscal Transparency	Training, Technical Assistance and Networking	Learning	Strategic Initiatives	Communications
Personnel costs	\$ 1,211,119	\$ 1,928,019	\$ 573,632	\$ 328,847	\$ 559,158	\$ 31,643	\$ 113,445	\$ 258,271
Consultants and sub-contracts	784,710	1,468,855	266,067	196,399	208,927	10,498	9,153	179,634
Bank fees	14,964	13,203	7,427	5,200	4,842	355	1,674	3,418
Meetings and conferences	62,103	383,842	51,707	48,014	279,967	3	37	70
Subgrants	227,013	1,340,187	1,000	-	125,570	-	-	-
Office supplies	182	31,568	148	153	802	71	-	3,165
Printing and copying	808	24,481	857	-	16,322	-	-	50
Publications, dues and subscriptions	15,575	9,098	1,936	6,723	859	57	406	35,756
Postage and delivery	407	7,276	254	21	384	1	6	15
Occupancy	133,992	268,431	53,609	37,329	77,165	3,203	8,035	30,819
Repairs and maintenance	-	10,640	-	-	-	-	-	-
Taxes and licenses	9,420	34,020	-	-	5,452	-	-	-
Communications	13,731	143,101	4,010	2,704	1,636	241	580	2,248
Staff Travel	69,713	197,773	60,859	14,926	138,192	817	137	2,635
Non-staff travel	104,201	144,510	43,467	72,218	75,252	35	446	838
Equipment purchases and rentals	3,239	35,924	-	-	1,414	1,414	-	457
Depreciation and amortization	42,021	50,780	17,091	11,815	24,198	949	2,493	9,601
Information technology	33,292	35,384	16,092	11,177	16,126	634	2,989	15,111
Other	2,676	2,768	1,102	758	1,540	58	158	609
TOTAL	\$ 2,729,166	\$ 6,129,860	\$ 1,099,258	\$ 736,284	\$ 1,537,806	\$ 49,979	\$ 139,559	\$ 542,697

See accompanying notes to consolidated financial statements.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022 (Continued)						2021	
	Program Services (Continued)			Supporting Services			Total Expenses	Total Expenses
	Tax	Climate	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Personnel costs	\$ 285,226	\$ 61,651	\$ 5,351,011	\$ 702,448	\$ 270,252	\$ 972,700	\$ 6,323,711	\$ 7,014,375
Consultants and sub-contracts	54,034	22,230	3,200,507	304,462	94,202	398,664	3,599,171	4,445,888
Bank fees	1,097	956	53,136	10,879	4,152	15,031	68,167	60,305
Meetings and conferences	97,377	20	923,140	21,505	92	21,597	944,737	284,338
Subgrants	15,194	8,000	1,716,964	-	-	-	1,716,964	1,652,581
Office supplies	108	-	36,197	1,755	78	1,833	38,030	26,783
Printing and copying	30	-	42,548	-	-	-	42,548	39,085
Publications, dues and subscriptions	167	219	70,796	6,609	6,363	12,972	83,768	67,582
Postage and delivery	926	4	9,294	539	15	554	9,848	11,294
Occupancy	40,692	6,141	659,416	98,780	21,815	120,595	780,011	810,948
Repairs and maintenance	-	-	10,640	-	-	-	10,640	8,191
Taxes and licenses	10,933	-	59,825	258	-	258	60,083	56,070
Communications	2,418	444	171,113	6,101	1,577	7,678	178,791	122,776
Staff Travel	1,776	79	486,907	-	5,740	5,740	492,647	112,965
Non-staff travel	32,406	241	473,614	9,710	1,096	10,806	484,420	158,153
Equipment purchases and rentals	-	-	42,448	3,359	-	3,359	45,807	69,211
Depreciation and amortization	8,354	1,906	169,208	18,803	6,868	25,671	194,879	202,912
Information technology	4,892	1,840	137,537	26,459	8,081	34,540	172,077	178,396
Other	537	121	10,327	5,075	440	5,515	15,842	16,309
TOTAL	\$ 556,167	\$ 103,852	\$ 13,624,628	\$ 1,216,742	\$ 420,771	\$ 1,637,513	\$ 15,262,141	\$ 15,338,162

See accompanying notes to consolidated financial statements.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,318,666	\$ (4,298,259)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	194,879	202,912
Change in discount on long-term grants receivable	468,586	(4,020)
Amortization of right-of-use asset	543,154	-
Decrease (increase) in:		
Accounts receivable	5,559	(8,733)
Grants receivable	(4,751,117)	7,635,852
Prepaid expenses	(8,110)	8,382
Deposits and other assets	2,969	(53,759)
Increase (decrease) in:		
Accounts payable and accrued liabilities	24,456	(567,309)
Accrued salaries and related benefits	(64,219)	331,467
Refundable advances	(612,758)	533,012
Deferred rent	-	(172,487)
Lease liability	(733,807)	-
Net cash (used) provided by operating activities	<u>(1,611,742)</u>	<u>3,607,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(27,207)</u>	<u>(39,362)</u>
Net cash used by investing activities	<u>(27,207)</u>	<u>(39,362)</u>
Net (decrease) increase in cash and cash equivalents	(1,638,949)	3,567,696
Cash and cash equivalents at beginning of year	<u>15,249,503</u>	<u>11,681,807</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,610,554</u>	<u>\$ 15,249,503</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Asset	<u>\$ 4,466,886</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 6,476,004</u>	<u>\$ -</u>

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The International Budget Partnership (IBP) is a non-profit organization incorporated and located in the District of Columbia. 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 non-profit organization whose main objective is to generate data, advocate for reform, and build skills and knowledge of people so that everyone can have a voice in budget decisions that impact their lives.

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 non-profit organization whose main objective is to strengthen democracy and empower citizens to petition the government and exercise their human rights to equality, dignity and access to basic social services.

The International Budget Partnership - Netherlands (IBP Netherlands), was incorporated in 2016 with the municipality of Amsterdam. IBP Netherlands is a non-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 year ended December 31, 2022, and holds no significant assets at December 31, 2022.

Principles of consolidation -

The accounts of IBP have been consolidated with IBP Kenya, IBP South Africa and IBP Netherlands (collectively, the Organization) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported 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 Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2022, the Organization adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. The Organization applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Please refer to Note 7 for further details.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

The Organization maintained approximately \$2,945,911 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2022. The majority of funds invested in foreign countries are uninsured.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants receivables are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment acquisitions in excess of \$2,500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to eleven years.

Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2022 totaled \$194,879.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

IBP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. IBP is not a private foundation.

IBP Kenya qualifies for exemption from Kenyan corporate tax under the provisions of paragraph 10 of the first schedule to the Income Tax Act, Cap 470. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

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. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

IBP Netherlands qualifies for exemption from Dutch corporate tax under the provisions of public benefit organizations. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

For the year ended December 31, 2022, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Revenue and support -

Grants and contributions-

The Organization receives contributions, including unconditional promises to give, from many sources as well as grants from foundations, corporations and other private entities. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unconditional awards with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Conditional contributions contain a right of return and a barrier, and accordingly revenue is recognized when the condition or conditions are satisfied.

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of December 31, 2022, the Organization had \$5,294,904 in unrecognized conditional awards (not recorded in the accompanying consolidated financial statements).

Contracts -

Contracts revenue classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue when performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on the agreed upon price in the contract. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Foreign currency translation -

The U.S. Dollar is the functional currency for the Organization's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Foreign currency translation (continued) -

Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position. Foreign currency translation gain for the year ended December 31, 2022 totaled \$5,261.

Use of estimates -

The preparation of the 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 reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated based on estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement not yet adopted -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Organization for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. GRANTS RECEIVABLE

As of December 31, 2022, contributors to the Organization have made unconditional written promises to give, of which \$10,957,876 remained due and outstanding. Amounts due beyond one year of the Consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate ranging from 4.23% to 4.42%.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

2. GRANTS RECEIVABLE (Continued)

Following is a schedule of amounts due, by year, as of December 31, 2022:

Less than one year	\$ 4,944,901
One to five years	<u>6,012,975</u>
Total	10,957,876
Less: Allowance to discount balance to present value	<u>(471,649)</u>
GRANTS RECEIVABLE, NET	<u>\$ 10,486,227</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

Software	\$ 128,018
Furniture and equipment	63,271
Leasehold improvements	<u>1,746,763</u>
Total property and equipment	1,938,052
Less: Accumulated depreciation and amortization	<u>(837,030)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 1,101,022</u>

4. BOARD DESIGNATED NET ASSETS

As of December 31, 2022, net assets without donor restrictions have been designated by the Board of Directors for the Strategic Reserve Fund. This fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Additionally, the Reserve Fund may provide funds to meet special targets of opportunity or needs that further the mission of the organization which may or may not have specific expectation of incremental or long-term increased income. Reserve Funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Reserve Fund serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes. As of December 31, 2022, Board designated assets totaled \$2,586,411.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specified purpose:	
Research	\$ 1,304,717
Country Strategies	8,477,423
Advocacy	5,660
Global Initiative for Fiscal Transparency	51,893
Tax	<u>3,501,261</u>
Total subject to expenditure for specified purpose	13,340,954
Subject to passage of time	<u>6,340,898</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 19,681,852</u>

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Research	\$ 1,242,923
Country Strategies	4,652,321
Advocacy	25,000
Global Initiative for Fiscal Transparency	622,425
Tax	558,965
Institutional Strengthening	100,028
Timing restrictions accomplished	<u>3,833,948</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 11,035,610</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position comprise the following at December 31, 2022:

Cash and cash equivalents	\$ 13,610,554
Accounts receivable	58,865
Grants receivable, net	<u>10,486,227</u>
Subtotal financial assets available within one year	24,155,646
Less: Donor restricted funds	(13,340,954)
Less: Board designated net assets	<u>(2,586,411)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 8,228,281</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

7. LEASE COMMITMENTS

IBP leases office space in Washington, D.C. under a eleven-year agreement, which commenced on September 1, 2018. Base rent is \$63,112 per month, plus a proportionate share of expenses, increasing by a factor of 2.5% per year. IBP received an abatement of base rent and its share of expenses for the first eight months after the commencement date, as well as partial lease abatement periods during the first two years of the lease. IBP also received an allowance up to \$1,514,770 for various leasehold improvements. IBP used all of the leasehold improvement allowance to remodel and renovate the office space.

In July 2018, IBP South Africa entered into an agreement to lease office space which ended on March 11, 2022. During 2022, this lease was amended to revise the monthly base rent and to extend the lease term through March 31, 2025. Base rent is 27,428 ZAR per month increasing by a factor of 5.0% per year.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

7. LEASE COMMITMENTS (Continued)

In December 2020, IBP Kenya also entered into a seventy two-month agreement to lease office space (Suite No. 8 and 9) in Nairobi, Kenya. The agreement began on March 1, 2021 and will end on February 28, 2027. Base rent is 160,000 Kenyan Shilling per year increasing by a factor of 20% every two years.

In March 2022, IBP Kenya also entered into a twenty four-month agreement to lease office space (Suite No. 10) in Nairobi, Kenya. The agreement began on April 1, 2022 and will end on March 31, 2024. Base rent is 70,000 Kenyan Shilling per month without an increasing factor. In addition to the above-noted lease obligations, the Organization leases office space in a number of other locations. The majority of these leases have terms that will expire in 2023, or are not subject to an annual rental escalation.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. The Organization elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Organization adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Organization recorded a right-of-use asset in the amount of \$4,466,886. The Organization recorded an operating lease liability in the amount of \$6,476,004 by calculating the present value using the discount rate of 1.07%.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

	2023	\$ 842,903
	2024	863,940
	2025	885,482
	2026	907,586
	2027	930,306
	Thereafter	<u>1,599,692</u>
		6,029,909
Less: Discount to present value		<u>(287,712)</u>
		5,742,197
Less: Current portion		<u>(765,272)</u>
		<u>\$ 4,976,925</u>

Lease expense for the year ended December 31, 2022 totaled \$775,360 and is included in occupancy in the accompanying Consolidated Statement of Functional Expenses. Rent expense for the year ended December 31, 2022 totaled \$802,708 and is included in occupancy in the accompanying Consolidated Statement of Functional Expenses.

IBP subleases a portion of its office space under a lease that commenced on February 1, 2022 and is set to expire on August 31, 2029. Base rent is \$3,700 per month with no annual escalation increase.

INTERNATIONAL BUDGET PARTNERSHIP AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

7. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum rental income:

Year Ending December 31,

2023	\$ 44,400
2024	44,400
2025	44,400
2026	44,400
2027	44,400
Thereafter	<u>74,000</u>
	<u>\$ 296,000</u>

Rental income for the year ended December 31, 2022 was \$40,700.

8. RETIREMENT PLAN

IBP provides retirement benefits to its employees through a tax-deferred annuity plan covering all full-time U.S.-based employees with six months of eligible service. The Organization provides a match of each eligible employee's contribution, up to 7% of covered compensation depending on each employee's length of service. Contributions to the Plan during the year ended December 31, 2022 totaled \$174,455.

9. CONCENTRATION OF REVENUE

Approximately 70% and 19% of the Organization's revenue and support during the year ended December 31, 2022, respectively, were sourced from three and two different donors, respectively. The Organization has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Organization's ability to finance ongoing operations.

10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 31, 2023, the date the consolidated financial statements were issued.