

International Budget Partnership and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2021 and 2020

International Budget Partnership and Affiliates

Consolidated Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
International Budget Partnership and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of International Budget Partnership (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020; 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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.

Responsibilities of Management for the Consolidated Financial Statements (continued)

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.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
April 27, 2022

International Budget Partnership and Affiliates

Consolidated Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 15,249,503	\$ 11,681,807
Accounts receivable	64,424	55,691
Grants receivable, net	6,203,696	13,835,528
Prepaid expenses	286,717	295,099
Deposits and other assets	194,753	140,994
Property and equipment, net	1,268,694	1,432,244
Total assets	<u>\$ 23,267,787</u>	<u>\$ 27,441,363</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 623,111	\$ 692,485
Subgrants payable	527	166,995
Refundable advances	1,282,946	749,934
Deferred rent and lease incentives	2,009,118	2,181,605
Total liabilities	<u>3,915,702</u>	<u>3,791,019</u>
Net Assets		
Without donor restrictions:		
Undesignated	404,239	1,320,545
Board-designated	2,578,607	2,576,202
Total without donor restrictions	2,982,846	3,896,747
With donor restrictions	16,369,239	19,753,597
Total net assets	<u>19,352,085</u>	<u>23,650,344</u>
Total liabilities and net assets	<u>\$ 23,267,787</u>	<u>\$ 27,441,363</u>

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 3,503,940	\$ 7,239,020	\$ 10,742,960
Contract income	203,466	-	203,466
Interest income	29,625	-	29,625
Other income	8,908	-	8,908
Gain on foreign exchange rate	54,944	-	54,944
Released from restrictions	10,623,378	(10,623,378)	-
Total revenue and support	14,424,261	(3,384,358)	11,039,903
Expenses			
Program services:			
Research	3,251,561	-	3,251,561
Country strategies	6,281,954	-	6,281,954
Advocacy	896,514	-	896,514
Global Initiative for Fiscal Transparency	705,900	-	705,900
Training, technical assistance, and networking	1,052,584	-	1,052,584
Learning	229,322	-	229,322
Strategic initiatives	425,535	-	425,535
Communications	374,918	-	374,918
Tax	188,387	-	188,387
Climate	327,325	-	327,325
Total program services	13,734,000	-	13,734,000
Supporting services:			
Management and general	1,215,226	-	1,215,226
Fundraising	388,936	-	388,936
Total supporting services	1,604,162	-	1,604,162
Total expenses	15,338,162	-	15,338,162
Change in Net Assets	(913,901)	(3,384,358)	(4,298,259)
Net Assets, beginning of year	3,896,747	19,753,597	23,650,344
Net Assets, end of year	\$ 2,982,846	\$ 16,369,239	\$ 19,352,085

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 3,885,778	\$ 13,083,317	\$ 16,969,095
Contract income	271,956	-	271,956
Interest income	51,239	-	51,239
Other income	27,764	-	27,764
Gain on foreign exchange rate Released from restrictions	136,481	-	136,481
	<u>11,003,161</u>	<u>(11,003,161)</u>	<u>-</u>
 Total revenue and support	 <u>15,376,379</u>	 <u>2,080,156</u>	 <u>17,456,535</u>
Expenses			
Program services:			
Research	2,251,390	-	2,251,390
Country strategies	5,633,186	-	5,633,186
Advocacy	856,390	-	856,390
Global Initiative for Fiscal Transparency	645,812	-	645,812
Training, technical assistance, and networking	752,449	-	752,449
Learning	322,538	-	322,538
Strategic initiatives	637,736	-	637,736
Communications	659,259	-	659,259
Tax	597,830	-	597,830
Climate	311,542	-	311,542
	<u>12,668,132</u>	<u>-</u>	<u>12,668,132</u>
 Total program services	 <u>12,668,132</u>	 <u>-</u>	 <u>12,668,132</u>
Supporting services:			
Management and general	1,156,512	-	1,156,512
Fundraising	530,979	-	530,979
	<u>1,687,491</u>	<u>-</u>	<u>1,687,491</u>
 Total supporting services	 <u>1,687,491</u>	 <u>-</u>	 <u>1,687,491</u>
 Total expenses	 <u>14,355,623</u>	 <u>-</u>	 <u>14,355,623</u>
 Change in Net Assets	 1,020,756	 2,080,156	 3,100,912
 Net Assets, beginning of year	 <u>2,875,991</u>	 <u>17,673,441</u>	 <u>20,549,432</u>
 Net Assets, end of year	 <u>\$ 3,896,747</u>	 <u>\$ 19,753,597</u>	 <u>\$ 23,650,344</u>

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	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	\$ 1,287,847	\$ 2,411,196	\$ 493,641	\$ 329,433	\$ 518,390	\$ 156,346	\$ 236,200	\$ 150,912	\$ 152,066	\$ 150,248	\$ 876,162	\$ 251,934	\$ 7,014,375
Consultants and sub-contracts	1,422,015	1,725,135	208,708	253,997	181,223	49,389	118,640	155,321	20,900	118,959	118,398	73,203	4,445,888
Bank charges	11,220	21,662	4,433	2,667	4,179	1,365	1,966	1,195	1,108	1,200	7,216	2,094	60,305
Meeting and conferences	29,042	113,468	2,403	20,324	119,561	-	(866)	-	-	-	406	-	284,338
Subgrants	219,300	1,257,683	95,975	-	56,173	-	-	-	-	23,450	-	-	1,652,581
Office supplies and expense	471	24,477	-	19	874	203	154	-	-	111	368	106	26,783
Printing and copying	220	37,581	-	-	690	-	586	8	-	-	-	-	39,085
Dues and subscriptions	17,565	18,016	976	2,956	1,811	285	13,327	3,977	267	242	4,310	3,850	67,582
Postage and delivery	979	6,880	27	309	18	6	16	9	4	10	3,018	18	11,294
Occupancy	136,843	252,361	59,173	50,182	40,026	13,455	35,693	20,974	7,938	21,821	133,577	38,905	810,948
Repairs and maintenance	-	4,761	-	-	3,430	-	-	-	-	-	-	-	8,191
Taxes and licenses	9,924	39,505	77	65	5,843	17	66	27	293	28	174	51	56,070
Communications	8,828	84,664	3,239	2,739	6,437	734	2,692	1,145	433	1,191	8,550	2,124	122,776
Staff travel	2,129	76,799	-	5,060	28,951	18	8	-	-	-	-	-	112,965
Non-staff travel	2,237	93,201	-	6,614	55,480	-	240	100	-	-	281	-	158,153
Equipment purchases and rentals	14,575	23,795	195	1,109	3,593	58	607	17,591	49	76	7,467	96	69,211
Depreciation and amortization	52,672	32,761	16,472	14,057	12,139	3,863	9,806	6,095	2,408	6,113	35,976	10,550	202,912
Information technology	33,709	53,726	10,336	12,869	12,186	3,388	5,882	17,259	2,806	3,559	17,236	5,440	178,396
Other	1,985	4,283	859	3,500	1,580	195	518	305	115	317	2,087	565	16,309
Total Expenses	\$ 3,251,561	\$ 6,281,954	\$ 896,514	\$ 705,900	\$ 1,052,584	\$ 229,322	\$ 425,535	\$ 374,918	\$ 188,387	\$ 327,325	\$ 1,215,226	\$ 388,936	\$ 15,338,162

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	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	\$ 1,003,963	\$ 2,172,145	\$ 394,484	\$ 324,588	\$ 457,607	\$ 249,018	\$ 300,466	\$ 312,152	\$ 368,384	\$ 177,490	\$ 841,227	\$ 358,591	\$ 6,960,115
Consultants and sub-contracts	640,889	1,176,988	155,387	246,262	103,854	26,473	254,876	270,206	155,591	60,190	76,918	93,081	3,260,715
Bank charges	9,700	16,864	3,113	3,027	3,504	1,980	2,570	2,628	2,547	1,495	7,162	2,988	57,578
Meeting and conferences	98,362	113,274	14,585	194	69,075	5,814	7,620	61	5	2	4,534	4	313,530
Subgrants	248,500	1,482,498	212,000	-	29,511	-	-	-	27,000	36,209	-	-	2,035,718
Office supplies and expense	-	33,292	-	-	73	53	165	213	369	-	11,574	464	46,203
Printing and copying	8,547	25,438	43	87	384	30	43	56	49	29	723	90	35,519
Dues and subscriptions	2,171	15,540	32	800	36	343	2,685	2,507	31	15	4,961	1,733	30,854
Postage and delivery	23	2,783	214	292	8	185	7	8	57	5	253	35	3,870
Occupancy	120,033	226,585	37,104	43,681	41,687	20,251	41,017	40,790	26,644	24,164	117,656	48,054	787,666
Repairs and maintenance	-	878	-	-	-	-	-	-	-	-	578	-	1,456
Taxes and licenses	18	47,391	8	6	9	5	6	426	8	4	97	6	47,984
Communications	6,623	13,235	2,047	2,524	2,282	1,117	2,248	2,247	1,408	1,327	8,457	3,593	47,108
Staff travel	9,121	107,832	6,084	1,568	8,543	3,575	999	1,237	1,246	123	697	2,008	143,033
Non-staff travel	34,379	91,091	12,922	3,121	15,335	3,169	6,637	120	-	-	1,484	-	168,258
Equipment purchases and rentals	2,147	6,626	700	807	755	367	774	723	538	443	21,278	853	36,011
Depreciation and amortization	43,676	33,470	9,716	11,424	10,726	5,303	10,707	10,715	6,801	6,291	30,053	12,517	191,399
Information technology	22,256	66,640	7,633	7,054	8,725	4,697	6,557	14,809	6,904	3,547	15,923	6,568	171,313
Other	982	616	318	377	335	158	359	361	248	208	12,937	394	17,293
Total Expenses	\$ 2,251,390	\$ 5,633,186	\$ 856,390	\$ 645,812	\$ 752,449	\$ 322,538	\$ 637,736	\$ 659,259	\$ 597,830	\$ 311,542	\$ 1,156,512	\$ 530,979	\$ 14,355,623

See accompanying notes.

International Budget Partnership and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (4,298,259)	\$ 3,100,912
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	202,912	191,399
Loss on disposal of assets	-	3,581
Change in present value discount	(4,020)	(56,020)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(8,733)	(25,805)
Grants receivable	7,635,852	(5,729,599)
Prepaid expenses	8,382	(113,764)
Deposits and other assets	(53,759)	(55,759)
Increase (decrease) in:		
Accounts payable and accrued expenses	(69,374)	(75,940)
Subgrants payable	(166,468)	(339,232)
Refundable advances	533,012	(280,623)
Deferred rent and lease incentives	(172,487)	78,682
Net cash provided by (used in) operating activities	3,607,058	(3,302,168)
Cash Flows from Investing Activity		
Purchases of property and equipment	(39,362)	(58,286)
Net cash used in investing activity	(39,362)	(58,286)
Net Increase (Decrease) in Cash and Cash Equivalents	3,567,696	(3,360,454)
Cash and Cash Equivalents, beginning of year	11,681,807	15,042,261
Cash and Cash Equivalents, end of year	\$ 15,249,503	\$ 11,681,807

See accompanying notes.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, and holds no significant assets at December 31, 2021 and 2020.

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, 2021 and 2020

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 90 days or less at the time of purchase.

Grants Receivable

Grants receivable consist of amounts due to be reimbursed to the Organization for expenses incurred under various grant agreements 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, 2021 and 2020, 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 and amortization 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.

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.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization has grants that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2021 and 2020, the Organization received amounts under these grants totaling \$1,282,946 and \$749,934, respectively, for which the performance requirements had not been met and are included in refundable advances in the accompanying consolidated statements of financial position.

Contract income is recognized based upon completion of performance obligations per underlying agreement.

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, 2021 and 2020.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Subgrant Expenses

IBP's Strengthening Public Accountability for Results and Knowledge (SPARK) program awards the bulk of subgrants, as a central program activity and in countries where IBP has engaged local staff, including a Country Manager, to coordinate with recipient partners.

The SPARK program identifies subgrantees based on theories of action that have been developed for each of the entry points that have been agreed on for each SPARK country at the start of the program. Other IBP programs may select their subgrant recipients from among known IBP partner groups in countries that are prioritized by IBP's donors, or in countries that are selected for sub granting activity by IBP to further program objectives.

The most common SPARK grant is a project support grant. These grants are based on an approved project proposal and budget and generally include a detailed scope of work, a detailed budget, and a detailed monitoring plan and reporting schedule. Project support grants are also often used for longer-term grants with more intensive reporting requirements. They are most often used with well-established partners who have a solid track record on managing grants. Most IBP subgrants with a longer-term duration will schedule payment of some portion of award funds upon execution of the contractual grant agreement with subsequent installment payments typically issued based on submission of scheduled reports and/or milestone deliverables pre-determined and specified in the grant agreement. Subgrant expenses for the project support grants are recognized over time upon the successful submission of scheduled reports and performance milestones.

The second most common grant type is a Fixed Obligation Grant (FOG). FOGs are used to support discrete, short-term projects and are typically used for short-term grants under \$40,000. A FOG agreement specifies one or more work products that will demonstrate that deliverables under the grant have been completed. Shorter-term project support grants or FOGs may issue payment of the full grant value upon execution of the contractual grant agreement, after satisfactory due diligence is completed on the recipient or after completion of the deliverables. Subgrant expenses for the FOGs are recognized upon completion of the deliverables, which occurs within the same year for which the funds are disbursed.

Subgrants expenses totaled \$1,652,581 and \$2,035,718 for the years ended December 31, 2021 and 2020, respectively. Subgrants payable totaled \$527 and \$166,995 at December 31, 2021 and 2020, respectively.

International Budget Partnership and Affiliates

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective in 2022. Management continues to evaluate the potential impact of this update on the Organization's consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective in 2022 and is not expected to have a significant impact on the Organization's consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 27, 2022, the date the consolidated financial statements were available to be issued.

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Notes to Consolidated Financial Statements
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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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 15,249,503	\$ 11,681,807
Accounts receivable	64,424	55,691
Grants receivable, net	<u>6,203,696</u>	<u>13,835,528</u>
Total financial assets	21,517,623	25,573,026
Less: Board-designated funds	(2,578,607)	(2,576,202)
Less: net assets with donor restrictions	<u>(16,369,239)</u>	<u>(19,753,597)</u>
Total available for general expenditures	<u>\$ 2,569,777</u>	<u>\$ 3,243,227</u>

4. Concentrations of Risk

Revenue Risk

Substantial portions of the Organization's revenues were generated from two grantors, which totaled \$2,123,359, for the year ended December 31, 2021. These amounts approximate 19% of the Organization's total revenue and support for the year ended December 31, 2021. Substantial portions of the Organization's revenues were generated from four grantors, which totaled \$13,345,504, for the year ended December 31, 2020. These amounts approximate 76% of the Organization's total revenue and support for the year ended December 31, 2020.

Any significant reduction in revenue and support may adversely impact the Organization's financial position and operations. It is expected that support received from these grantors will continue since such funding sources have been historically stable.

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4. Concentrations of Risk (continued)

Receivable Risk

The Organization was owed \$2,948,599 from two grantors, which accounted for 48% of grants receivable at December 31, 2021. The Organization was owed \$11,993,681 from four grantors, which accounted for 87% of grants receivable at December 31, 2020.

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>2021</u>	<u>2020</u>
Due in less than one year	\$ 5,183,160	\$ 10,310,171
Due in one to five years	<u>1,023,599</u>	<u>3,532,440</u>
Total grants receivable	6,206,759	13,842,611
Less: present value discount at rates ranging from 0.18% to 0.53%	<u>(3,063)</u>	<u>(7,083)</u>
Grants receivable, net	<u>\$ 6,203,696</u>	<u>\$ 13,835,528</u>

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6. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Leasehold improvements	\$ 1,732,428	\$ 1,732,428
Furniture and equipment	50,400	45,565
Software	128,018	93,490
 Total property and equipment	 1,910,846	 1,871,483
Less: accumulated depreciation and amortization	(642,152)	(439,239)
 Property and equipment, net	 \$ 1,268,694	 \$ 1,432,244

7. Net Assets With Donor Restrictions

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

	2021	2020
Time restricted for future periods	\$ 7,424,849	\$ 6,794,509
Purpose restricted:		
Country Strategies	5,126,879	9,482,160
Research	1,933,702	2,858,888
Institutional Strengthening	100,028	523,341
Global Initiative for Fiscal Transparency	509,540	89,039
Advocacy	30,660	5,660
Tax	1,243,581	-
 Total net assets with donor restrictions	 \$ 16,369,239	 \$ 19,753,597

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8. Paycheck Protection Program

The Organization applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP loan is designed to provide a direct incentive for organizations to keep their workers on the payroll through the COVID-19 pandemic, for which the Organization qualified. The PPP loan was granted to the Organization on May 3, 2020 in the amount of \$866,122. The PPP loan is subject to full forgiveness upon use of the funds for payroll and other eligible costs and compliance with certain limitations on payroll and staffing reductions over a 24-week period. During the covered period, the Organization incurred qualifying expenditures and applied for forgiveness of the full amount of the PPP loan. On December 21, 2020, the PPP loan was fully forgiven by the Small Business Administration. The Organization reduced the liability by the amount forgiven and recognized it as grant revenue in the accompanying consolidated statement of activities for the year ended December 31, 2020.

9. Commitments and Contingencies

Operating Leases

The Organization maintains 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.

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.

In addition, the lease terms provide the Organization with a one-time right to early terminate the lease on August 31, 2025, with at least 12 months' irrevocable written notice of termination, and a termination payment amount that includes the unamortized costs incurred by the landlord, the amount of the leasehold improvement allowance, the amount of rent abatements, and other leasing costs.

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9. Commitments and Contingencies (continued)

Operating Leases (continued)

Total occupancy costs were \$810,948 and \$787,666 for the years ended December 31, 2021 and 2020, respectively.

The Organization entered into a sublease agreement to utilize a portion of its available office space that commenced on February 1, 2022 and is set to expire on August 31, 2029. Significant terms of sublease agreement consist of monthly rental payments of \$3,700, with no annual escalation increase. At any time after January 31, 2023, either party shall have the option to terminate the sublease by providing 90 days' prior written notice.

The Organization also maintains an operating lease agreement for office equipment that expires in October 2025.

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

	Office Lease	Equipment Leases	Sublease Receipts	Total
2022	\$ 822,370	\$ 6,346	\$ (40,700)	\$ 788,016
2023	842,903	6,346	(44,400)	804,849
2024	863,940	6,346	(44,400)	825,886
2025	885,482	5,288	(44,400)	846,370
2026	907,586	-	(44,400)	863,186
Thereafter	2,529,997	-	(118,400)	2,411,597
Total future minimum lease payments	\$ 6,852,278	\$ 24,326	\$ (336,700)	\$ 6,539,904

10. 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, 2021 and 2020, the Organization recorded contributions to the plan totaling \$198,061 and \$220,431, respectively.

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11. 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 in the accompanying consolidated statements of functional expenses, which are allocated on the basis of estimates of time and effort.

12. 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.