

International Development Enterprises and Subsidiaries

Consolidated Financial Report
December 31, 2021

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Independent Auditor's Report

Board of Directors
International Development Enterprises and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of International Development Enterprises and Subsidiaries (iDE), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of iDE as of December 31, 2021, and the changes in their net assets and their 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of iDE 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.

Other Matter

The financial statements of iDE as of and for the year ended December 31, 2020, were audited by other auditors, whose report dated May 19, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS and *Government 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 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 iDE'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about iDE'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2022, on our consideration of iDE's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of iDE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering iDE's internal control over financial reporting and compliance.

RSM US LLP

McLean, Virginia
August 17, 2022

International Development Enterprises and Subsidiaries

Consolidated Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,598,622	\$ 10,246,734
Accounts receivable, net	665,793	1,066,676
Grants receivable	1,576,338	1,801,122
Related party receivable	246,224	-
Inventories for sale, net	310,111	266,363
Prepaid expenses and other current assets	893,295	295,041
Total current assets	15,290,383	13,675,936
Property and equipment, net	564,896	547,346
Deposits	58,657	60,592
Total assets	\$ 15,913,936	\$ 14,283,874
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 441,150	\$ 754,280
Related party payable	-	130,535
Accrued expenses and other current liabilities	2,201,382	1,676,340
Refundable advances	7,805,134	6,101,059
Notes payable	147,596	61,890
Paycheck Protection Program loan, current	-	18,522
Total current liabilities	10,595,262	8,742,626
Paycheck Protection Program loan, long-term	-	742,478
Notes payable, long-term	138,079	-
Total liabilities	10,733,341	9,485,104
Commitments and Contingencies (Note 9 and 10)		
Net assets:		
Without donor restrictions	3,776,633	3,967,775
With donor restrictions	1,403,962	830,995
Total net assets	5,180,595	4,798,770
Total liabilities and net assets	\$ 15,913,936	\$ 14,283,874

International Development Enterprises and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Grant revenue	\$ 18,671,313	\$ 1,746,408	\$ 20,417,721
Private contributions	881,439	173,559	1,054,998
Field and program revenue	3,209,301	-	3,209,301
Sales, net	941,501	-	941,501
Loss on disposition of property and equipment	(33,914)	-	(33,914)
Interest income	8,896	-	8,896
Other income	1,650,018	-	1,650,018
Net assets released from restrictions	1,347,000	(1,347,000)	-
Total revenues, gains and other support	26,675,554	572,967	27,248,521
Expenses:			
Programs:			
Cambodia	5,145,595	-	5,145,595
Vietnam	171,173	-	171,173
Bangladesh	5,363,892	-	5,363,892
Nepal	742,460	-	742,460
Zambia	1,108,899	-	1,108,899
Ghana	1,263,956	-	1,263,956
Ethiopia	1,048,800	-	1,048,800
Mozambique	4,025,225	-	4,025,225
Honduras	584,518	-	584,518
United Kingdom	60,683	-	60,683
Multicountry projects	916,313	-	916,313
Hydrologic	1,181,735	-	1,181,735
Total program expenses	21,613,249	-	21,613,249
Services:			
General and administrative	4,925,177	-	4,925,177
Fundraising	396,202	-	396,202
Total supporting services expenses:	5,321,379	-	5,321,379
Total expenses	26,934,628	-	26,934,628
Changes in net assets before other financial items	(259,074)	572,967	313,893
Currency translation adjustments	67,932	-	67,932
Total other financial items	67,932	-	67,932
Change in net assets	(191,142)	572,967	381,825
Net assets:			
Beginning	3,967,775	830,995	4,798,770
Ending	\$ 3,776,633	\$ 1,403,962	\$ 5,180,595

See notes to consolidated financial statements.

International Development Enterprises and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Grant revenue:	\$ 19,092,799	\$ 1,684,357	\$ 20,777,156
Private contributions	1,288,245	-	1,288,245
Field and program revenue	3,069,163	-	3,069,163
Sales, net	1,158,086	-	1,158,086
Loss on disposition of property and equipment	(1,858)	-	(1,858)
Interest income	33,930	-	33,930
Other income	1,244,961	-	1,244,961
Net assets released from restrictions	1,323,168	(1,323,168)	-
Total revenues, gains and other support	27,208,494	361,189	27,569,683
Expenses:			
Programs:			
Cambodia	4,749,142	-	4,749,142
Vietnam	180,949	-	180,949
Bangladesh	4,373,797	-	4,373,797
Nepal	309,418	-	309,418
Zambia	1,035,412	-	1,035,412
Ghana	1,454,955	-	1,454,955
Ethiopia	1,219,686	-	1,219,686
Mozambique	4,251,517	-	4,251,517
Honduras	903,915	-	903,915
United Kingdom	306,827	-	306,827
Multicountry projects	1,326,533	-	1,326,533
Hydrologic	24,214	-	24,214
Total program expenses	20,136,365	-	20,136,365
Supporting services:			
General and administrative	6,510,856	-	6,510,856
Fundraising	274,178	-	274,178
Total supporting services expenses:	6,785,034	-	6,785,034
Total expenses	26,921,399	-	26,921,399
Changes in net assets from operating activities	287,095	361,189	648,284
Currency translation adjustments	62,938	-	62,938
Total other financial items	62,938	-	62,938
Change in net assets	350,033	361,189	711,222
Net assets:			
Beginning	3,617,742	469,806	4,087,548
Ending	\$ 3,967,775	\$ 830,995	\$ 4,798,770

See notes to consolidated financial statements.

International Development Enterprises and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2021

Description	Cambodia	Vietnam	Bangladesh	Nepal	Zambia	Ghana	Ethiopia
Personnel	\$ 3,574,038	\$ 127,821	\$ 3,478,170	\$ 496,598	\$ 625,914	\$ 731,613	\$ 518,591
Subgrants	11,480	-	-	64,208	-	-	-
Office Expense	404,973	10,705	578,468	53,620	205,958	161,674	97,155
Professional Services	122,075	17,350	331,425	8,844	19,962	3,654	12,419
Travel & Transportation	417,495	14,512	172,107	27,392	145,721	98,979	31,947
Subcontracts and consultants	557,932	785	756,188	89,209	85,165	222,109	263,214
Business administrative expenses	29,162	-	17,939	630	8,013	45,927	125,474
Depreciation Expense	28,440	-	29,595	1,959	18,166	-	-
Total	\$ 5,145,595	\$ 171,173	\$ 5,363,892	\$ 742,460	\$ 1,108,899	\$ 1,263,956	\$ 1,048,800

See notes to consolidated financial statements.

Mozambique	Honduras	United Kingdom	Multicountry Projects	Hydrologic	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
\$ 1,153,693	\$ 356,143	\$ 51,046	\$ 353,621	\$ 472,035	\$ 11,939,283	\$ 3,429,785	\$ 304,496	\$ 3,734,281	\$ 15,673,564
131,938	-	-	-	-	207,626	-	-	-	207,626
342,457	31,038	-	3,562	122,955	2,012,565	580,778	29,804	610,582	2,623,147
476,778	7,463	8,600	521,260	229,226	1,759,056	506,940	42,000	548,940	2,307,996
322,352	26,169	1,037	14,324	29,988	1,302,023	48,072	19,902	67,974	1,369,997
1,541,779	160,856	-	23,546	234,734	3,935,517	1,359	-	1,359	3,936,876
37,786	2,849	-	-	72,741	340,521	297,392	-	297,392	637,913
18,442	-	-	-	20,056	116,658	60,851	-	60,851	177,509
\$ 4,025,225	\$ 584,518	\$ 60,683	\$ 916,313	\$ 1,181,735	\$ 21,613,249	\$ 4,925,177	\$ 396,202	\$ 5,321,379	\$ 26,934,628

International Development Enterprises and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

Reclassification Adjustment for 2020 to Align with 2021 Classifications

	Cambodia	Vietnam	Bangladesh	Nepal	Zambia	Ghana	Ethiopia
Personnel and benefits	\$ 3,157,367	\$ 77,500	\$ 2,976,575	\$ 248,319	\$ 542,489	\$ 914,181	\$ 636,267
Subgrants	38,480	-	-	19,554	-	-	-
Office expense	448,636	10,029	563,808	26,147	179,089	103,138	139,688
Professional services	117,148	1,732	183,393	1,469	38,322	185	26,504
Travel and transportation	494,784	91,688	122,639	4,257	158,506	83,140	44,783
Subcontracts and consultants	491,875	-	522,103	9,291	112,080	349,633	368,606
Business administrative expenses	852	-	5,279	381	4,926	4,678	3,838
Depreciation expense	-	-	-	-	-	-	-
Total	\$ 4,749,142	\$ 180,949	\$ 4,373,797	\$ 309,418	\$ 1,035,412	\$ 1,454,955	\$ 1,219,686

See notes to consolidated financial statements.

Mozambique	Honduras	United Kingdom	Multicountry Projects	Hydrologic	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
\$ 1,272,791	\$ 424,750	\$ 15,067	\$ 425,964	\$ 11,323	\$ 10,702,593	\$ 4,197,223	\$ 214,358	\$ 4,411,581	\$ 15,114,174
137,835	-	273,418	-	-	469,287	-	-	-	469,287
318,056	71,040	422	4,986	248	1,865,287	594,891	24,275	619,166	2,484,453
274,260	15,324	17,920	865,793	2,936	1,544,986	336,087	32,150	368,237	1,913,223
231,790	48,307	-	17,790	256	1,297,940	107,814	3,395	111,209	1,409,149
2,004,570	344,494	-	10,000	-	4,212,652	425,047	-	425,047	4,637,699
12,215	-	-	2,000	9,451	43,620	665,775	-	665,775	709,395
-	-	-	-	-	-	184,019	-	184,019	184,019
\$ 4,251,517	\$ 903,915	\$ 306,827	\$ 1,326,533	\$ 24,214	\$ 20,136,365	\$ 6,510,856	\$ 274,178	\$ 6,785,034	\$ 26,921,399

International Development Enterprises and Subsidiaries

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

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 381,825	\$ 711,222
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	177,509	184,019
Change in provision for bad debts	163,316	90,521
Gain (loss) on investments	-	182
(Gain) loss on sale of property and equipment	33,914	1,858
Forgiveness of Paycheck Protection Program note payable	(761,000)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	237,567	467,916
Grants receivable	224,784	(397,387)
Related party receivable	(246,224)	-
Inventories for sale	(43,748)	22,190
Prepaid expenses and other current assets	(598,254)	(17,687)
Deposits	1,935	(14,514)
Increase (decrease) in:		
Accounts payable and accrued liabilities	211,912	555,327
Related party payable	(130,535)	-
Refundable advances	1,704,075	(2,885,284)
Net cash provided by (used in) operating activities	1,357,076	(1,281,637)
Cash flows from investing activities:		
Purchase of capital assets	(228,973)	(239,850)
Sale of investments	-	(32,212)
Net cash used in investing activities	(228,973)	(272,062)
Cash flows from financing activities:		
Proceeds from loan funds	291,259	10,221
Repayments of loan funds	(67,474)	-
Proceeds from Paycheck Protection Program loan	-	761,000
Net cash provided by financing activities	223,785	771,221
Increase (decrease) in cash and cash equivalents	1,351,888	(782,478)
Cash and cash equivalents:		
Beginning	10,246,734	11,029,212
Ending	\$ 11,598,622	\$ 10,246,734
Supplemental schedule of non-cash financing activities:		
Forgiveness of Paycheck Protection Program promissory note	\$ 761,000	\$ -

See notes to consolidated financial statements.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: International Development Enterprises (iDE) was incorporated on October 1, 1982, under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania as a multinational nonprofit public charity.

iDE is a global development organization that advances market-based approaches in agriculture; access to finance; and water, sanitation and hygiene (WASH) to create income and livelihood opportunities for economically and socially disadvantaged households. iDE has made a difference for more than 35 million people by developing inclusive market ecosystems that allow more people to participate in the economy, exercise choice through economic freedom and achieve their aspirations. With field offices in 12 countries around the world and employing over 1,000 people, 94% of whom are local, iDE creates real change that gives people the power to prosper on their own terms. By constantly evaluating its impact and tracking data for every program implemented globally, iDE guarantees an average social return on investment of a minimum of \$10 in annual income or livelihood savings for every dollar it receives.

Hydrologic Social Enterprise Company Limited is a Cambodian company, wholly owned by iDE for the manufacture and distribution of low-cost, ceramic water purifiers and related livelihood products.

iDE International Foundation (IDEI) is an organization registered as a charitable foundation in Berne, Switzerland.

International Development Enterprises UK (iDE UK) is a private limited company charity registered in England of which iDE is a sole member.

In adopting a market-driven philosophy, iDE has focused its efforts on creating sustainable networks of supply chain manufacturers, assemblers, retailers and installers of affordable water resource technologies. The hallmark of iDE's program successes lay in five key principles to market creation for the poor: (1) local ownership, (2) client participation, (3) rapid return on investment, (4) affordable cost and (5) market sustainability.

A summary of iDE's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of iDE, IDEI, iDE Burkina Faso (West Africa), iDE UK, Hydrologic Social Enterprise Company Limited and all of iDE's other field offices in iDE Bangladesh, iDE Ethiopia, iDE Cambodia, iDE Ghana, iDE Mozambique, iDE Nepal, iDE Zambia, iDE Vietnam, and iDE Honduras. All inter-entity transactions have been eliminated in the consolidation.

Basis of presentation: The consolidated financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Not-for-Profit Entities Topic of the Accounting Standards Codification (Codification). iDE is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions represent resources that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations and are available for support of general operating activities.

Net assets with donor restrictions: Net assets with donor restrictions represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or may be satisfied and removed by the actions of iDE pursuant to these stipulations.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: iDE considers money market funds held in investment accounts and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Financial risk: iDE maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. iDE also maintains significant cash balances in foreign field offices that are not readily transferable to the United States. iDE considers this to be a normal business risk and has not experienced any losses in such accounts.

Accounts receivable: Receivables are carried at original invoice or promise to give amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. Management determines the allowance for doubtful accounts by determining troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable are uncollateralized obligations and generally require payment within 30 to 60 days from the date arising. No interest is charged on past due receivables.

The allowance for doubtful accounts is \$258,762 and \$217,728 for the years ended December 31, 2021 and 2020, respectively.

Grants receivable: Grants receivables are generated from conditional grants from prime and subrecipient arrangements with federal government agencies and other various private entities. Billed amounts represent invoices that have been prepared and sent to the funder. Grants receivable under conditional grant awards and other agreements represent unbilled recoverable costs incurred. Recoverable costs for iDE's conditional grants are billable when allowable expenditures are incurred.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value less cost of sales and consist of pumps, water filters and drip irrigation equipment held for sale in various countries.

Property and equipment: Property and equipment are stated at cost if purchased, or fair value on the date of contribution, and depreciated on the straight-line basis over the estimated useful lives, ranging from three to seven years. iDE capitalizes all expenditures for property and equipment valued at \$5,000 or greater with estimated useful lives greater than one year.

Revenue recognition: The primary sources of revenue for iDE consists of grant revenue, private contributions, field and program revenue, sales revenue and other income. The revenue recognition policies for each of these revenue streams is as follows:

Grant revenue and private contributions: iDE recognizes grant and contribution revenue based upon the presence or absence of donor-imposed conditions. Revenue from conditional grants and contracts is recognized only when funds are utilized to carry out the activity stipulated in the grant or contract agreement that satisfies barriers and/or rights of return. Any grants received that do not meet the criteria of a conditional grant are recognized as unconditional revenue when awarded.

Contributions received with donor-imposed conditions are recognized as revenue when the conditions have been substantially met. Amounts received in advance of satisfying the donor-imposed conditions are reported as refundable advances until conditions are met.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. For conditional contributions whose restrictions are met in the same period in which the corresponding revenue is recognized, the revenue is reported as support without donor restrictions.

iDE received conditional grants and contributions approximating \$40,971,145 that have not been recognized as of December 31, 2021, because the conditions for revenue recognition have not been satisfied. Of this amount, \$7,813,328 of advanced payments have been received and are shown as deferred revenue on the consolidated statements of financial position.

Field and program revenue: Field and program revenue consists of revenue earned based on indirect cost rate reimbursements as specified in various grant agreements. Revenue is recognized as a percentage of qualified base expenses as they are incurred.

Sales revenue: Sales revenue represents the sale of water filters and toilets developed from iDE projects. Sales are conducted in person and delivery of goods occur simultaneously as receipts for the products are issued and consideration is collected. Contract, price and delivery of the product occur all at the same time. As a result, revenue is recognized at the point of sale. Cost of sales is \$792,859 and \$881,126 for the years ended December 31, 2021 and 2020, respectively.

Other income: Other income includes various service fees charged to individuals and independent organizations who partner with iDE on short-term projects related to its overall mission. Such services fees might include consulting, training or management services performed by iDE. The fees are agreed upon through contracts which are based on identified performance obligations at a set price or rate. iDE recognizes the revenue as the performance obligations are met.

iDE also earns carbon credits for the displacement of water boiling practices caused by the use of ceramic water purifiers manufactured and sold by Hydrologic. This displacement reduces CO2 emissions by 41,000 tons on an annual basis; and accordingly, carbon credits were awarded and registered by the Gold Standard. In 2021 and 2020, 74,343 and 225,756 credits, respectively, were sold by iDE for the amounts of \$354,319 and \$825,331, respectively. Revenue is recorded in other income on the consolidated statements of activities and changes in net assets. Due to the nature and uncertainty of the carbon credit market, iDE recognizes carbon credit revenue when credits are sold.

Functional allocation of expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Program activities are those that are conducted in accordance with the iDE's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the iDE's existence. Fundraising activities involve inviting potential donors to partner with iDE. Salaries, benefits and payroll tax expense is allocated to programs, management and general activities, and fundraising based on time recorded and classified by employees. All other expense is allocated to activities based on the allocation of staff among departments and square footage utilized by departments.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Foreign currency translation: The functional and reporting currency of iDE is the U.S. Dollar. Transactions in non-U.S. Dollar currencies are initially recorded in U.S. Dollar equivalents at the applicable exchange rates upon recognition (historical exchange rate). Monetary assets and monetary liabilities are revalued into U.S. Dollar equivalents at the applicable exchange rates at year-end. Nonmonetary assets and nonmonetary liabilities are maintained at historical exchange rates. Gains or losses from the revaluation of monetary assets and liabilities are recognized as currency translation adjustments in the consolidated statements of activities.

Income tax status: iDE qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, no provision for federal income taxes has been provided. In addition, iDE qualifies for the charitable contribution deduction under Section 170(c)(2) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

iDE follows the guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. iDE has no current obligation for unrelated business income tax. iDE files as a tax-exempt organization.

Use of estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Related party transactions: iDE's board and staff work closely with iDE-Canada in designing, financing and executing projects worldwide. Transactions that occur between iDE and iDE Canada are classified as related party transactions on the consolidated statements of financial position. During the year ended December 31, 2021, iDE had \$246,224 of related party receivables and no related party payables or other liabilities recorded on the consolidated statements of financial position. During the year ended December 31, 2020, iDE had no related party receivables and \$220,234 of liabilities recorded as related party payables or deferred revenue in the consolidated statements of financial position.

Reclassifications: Certain amounts relating to prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for iDE for the calendar year beginning on January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. iDE is currently evaluating the impact of this standard on the consolidated financial statements.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 guidance will be effective for iDE's calendar year beginning on January 1, 2022. iDE is in the process of evaluating the impact of this new guidance on the consolidated financial statements.

Subsequent events: iDE has evaluated subsequent events through August 17, 2022, 2022, which is the date the consolidated financial statements were available to be issued

Note 2. Liquidity and Availability

iDE manages its liquidity and reserves using the following guiding principles: operating within a board-approved range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. iDE has an operating reserve fund policy to maintain current financial assets less current liabilities between three and six months of the annual operating budget for iDE Headquarters. The compliance with the operating reserve policy and progress towards these targets will be monitored on an annual basis. In the event of an unanticipated liquidity need, iDE also could draw upon \$500,000 of available line of credit (Note 9).

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021 and 2020, are as follows:

	2021	2020
Cash and cash equivalents	\$ 11,598,622	\$ 10,246,734
Accounts receivable, net	665,793	1,066,676
Grants receivable	1,576,338	1,801,122
Related party receivable	246,224	-
Total financial assets	14,086,977	13,114,532
Less:		
Refundable advances	(7,805,134)	(6,101,059)
Donor-restricted net assets	(1,403,962)	(830,995)
	(9,209,096)	(6,932,054)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,877,881	\$ 6,182,478

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions during 2021 were as follows:

	Balance			Balance	
	December 31, 2020	Additions	Releases	December 31, 2021	
Subject to expenditure for specific purpose:					
Agriculture and natural resources training	\$ 78,612	\$ -	\$ (78,612)	\$ -	
Building Resilience for Smallholder Farmers	272,049	500,000	(276,465)	495,584	
Financial Inclusion for Women in Agriculture	-	100,000	(1,276)	98,724	
Post Harvest Loss Technologies	-	500,000	-	500,000	
Seeding the Future through Farm Business	-	225,000	(148,170)	76,830	
Strengthening Farmer Income and Self Reliance	201,119	500,000	(537,695)	163,424	
Sustainable Fecal Sludge Management	102,176	-	(39,490)	62,686	
Other	177,039	94,967	(265,292)	6,714	
Total net assets with donor restrictions	\$ 830,995	\$ 1,919,967	\$ (1,347,000)	\$ 1,403,962	

Changes in net assets with donor restrictions during 2020 were as follows:

	Balance			Balance	
	December 31, 2019	Additions	Releases	December 31, 2020	
Subject to expenditure for specific purpose:					
Agriculture and natural resources training	-	335,962	(257,350)	78,612	
Building Resilience for Smallholder Farmers	283,037	300,000	(310,988)	272,049	
Strengthening Farmer Income and Self Reliance	186,769	300,000	(285,650)	201,119	
Sustainable Fecal Sludge Management	-	181,030	(78,854)	102,176	
Other	-	567,365	(390,326)	177,039	
Total net assets with donor restrictions	\$ 469,806	\$ 1,684,357	\$ (1,323,168)	\$ 830,995	

Note 4. Operating Lease

During 2013, iDE signed an agreement to lease space for its office headquarters. The lease term commenced in January 2014 and allows for annual automatic renewal for successive one-year terms for an additional nine years through May 31, 2023. iDE has the option to terminate the lease after any one-year term upon giving adequate notice to the lessor. As iDE is only obligated to pay rent for the next fiscal year, successive term payments have not been included in the future minimum rental payment schedule.

Total rent expense for leased headquarters office space amounted to \$136,581 and \$133,904 for the years ended December 31, 2021 and 2020, respectively. iDE leases office space in multiple countries. Total rent expense under these leases amounted to \$551,664 and \$585,097 for the years ended December 31, 2021 and 2020, respectively.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Operating Lease (Continued)

The following is a schedule of the future minimum rental payments for the years ending December 31:

Years ending December 31:	
2022	\$ 569,482
2023	242,551
2024	57,369
2025	22,800
Total	<u>\$ 892,202</u>

Note 5. Defined Contribution Retirement Plan

iDE has a 403(b) plan available to all full-time domestic employees who are at least 21 years of age, are scheduled at least 1,000 hours per year and have completed three months of service. iDE contributes 6% of the employee's gross salary. Contributions for the years ended December 31, 2021 and 2020, amounted to \$173,515 and \$152,006, respectively.

Note 6. Property and Equipment

Property and equipment at December 31 consists of the following:

	2021	2020
Buildings and improvements	\$ 95,467	\$ 93,547
Furniture and equipment	401,155	430,331
Vehicles	1,273,741	923,968
Software (*)	370,511	321,976
Total	<u>2,140,874</u>	<u>1,769,822</u>
Less accumulated depreciation	<u>(1,575,978)</u>	<u>(1,222,476)</u>
Net property and equipment	<u>\$ 564,896</u>	<u>\$ 547,346</u>

*Software and website development have been aggregated as software

Depreciation expense for the years ended December 31, 2021 and 2020, totaled \$177,509 and \$184,019, respectively.

Note 7. Notes Payable

iDE loans capital to individuals or groups in Cambodia and other countries in which it operates. In December 2014, iDE executed an agreement with Kiva, a California nonprofit public benefit corporation, to become a Kiva Microfinance Institution (MFI) Field Partner. Kiva operates one or more donor advised funds (DAF) that allows advisors to the DAF to connect with local lenders, such as iDE, that provide small loans to borrowers (individuals or groups) in developing countries. The agreement allows iDE to obtain access to, and the ability to post on, Kiva website profiles of borrowers in need of debt capital in order to obtain capital in the form of loans from lenders (individuals and entities) who also access the Kiva website.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Notes Payable (Continued)

Funds contributed from lenders to the Kiva website bear no interest rate. The agreement establishes maximum microloan limits for individual borrowers and group borrowers by country. The terms of the loans to borrowers of these funds are set by iDE. The agreement requires that all loans to borrowers are established on a short-term basis. iDE is responsible for collecting loan repayments from borrowers and remitting loan repayments to Kiva. Kiva periodically bills iDE for all loan repayments that have been collected from borrowers by a certain date. At any time during the term of the agreement, Kiva may elect to charge a fee on funds raised through the Kiva website. During 2021 and 2020, there was no Kiva fee charged on funds raised through the Kiva website. As of December 31, 2021 and 2020, the maximum credit limit of funds that iDE may raise through Kiva was \$800,000. The maximum credit limit is determined based on Kiva's MFI risk rating model.

As of December 31, 2021 and 2020, the outstanding balance of funds raised through Kiva was \$285,675 and \$61,890, respectively.

The following is a schedule of the future minimum principal payments due on all notes for the year ending December 31:

Year ending December 31:

2022	\$ 147,596
2023	138,079
	<u>\$ 285,675</u>

Note 8. Paycheck Protection Program Loan

On April 15, 2020, iDE received a loan from a financial institution in the amount of \$761,000 to fund payroll, rent and utilities through the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Funds from the note may only be used for payroll costs, interest on other debt obligations, leases and utilities. 75% of the loan proceeds must be used for payroll costs. iDE used the entire loan amount on qualifying expenses. iDE applied for and received loan forgiveness for the entire loan amount of \$761,000 on October 29, 2021. As iDE has elected to record the loan under ASC Topic 470, iDE has recognized \$761,000 for the forgiveness within other income in the statement of activities for the year ended December 31, 2021. The loan forgiveness is subject to audit by the Small Business Administration (SBA) for a period of six years after forgiveness.

Note 9. Line of Credit

Line of credit: At December 31, 2020, iDE had a line of credit with a financial institution with maximum borrowings of up to \$500,000. The line of credit expires on February 1, 2023, and accrues interest at a rate 4.25%. At December 31, 2021 and 2020, no amounts were outstanding on the line of credit.

Note 10. Commitments and Contingencies

International operations: iDE has field offices in various countries in Africa, Asia and Central America. The future results of iDE's programs could be adversely affected by a number of potential factors such as changes in the political climate, inflation and currency fluctuation.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies (Continued)

Federal and nonfederal grants: iDE participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the United States Agency for International Development (USAID) and the USDA or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

During 2020, as a result of a compliance audit, management determined that previously spent grant funds for a grant completed in 2016 will need to be returned to the donor. The total amount to be returned is \$276,896 which is included as an accrued expenses in the statement of financial position.

Litigation: iDE is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on its financial position, changes in net assets or cash flows.

COVID-19: The COVID-19 global pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to iDE, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results, including potential declines in funding and the discontinuance of specific projects that could result in a reduction of related revenues and expenses. Management believes iDE is taking appropriate actions to mitigate any potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.