

International Development Enterprises and Subsidiaries

Consolidated Financial Report
December 31, 2022

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Independent Auditor's Report

Board of Directors
International Development Enterprises

Report on the Audit of the Financial Statements**Opinion**

We have audited the consolidated financial statements of International Development Enterprises and Subsidiaries (iDE), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years 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, 2022 and 2021, and the changes in their net assets and their 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, iDE adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

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 or available to be 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 1, 2023, 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

Washington, DC
August 1, 2023

International Development Enterprises and Subsidiaries

Consolidated Statements of Financial Position December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,647,746	\$ 11,598,622
Accounts receivable, net	1,130,460	665,793
Grants receivable	2,008,228	1,576,338
Related party receivables	144,654	246,224
Inventories for sale, net	347,009	310,111
Prepaid expenses and other current assets	969,971	893,295
Total current assets	13,248,068	15,290,383
Property and equipment, net	1,492,492	564,896
Deposits	96,438	58,657
Lease right of use assets	1,307,775	-
Total assets	\$ 16,144,773	\$ 15,913,936
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 637,499	\$ 441,150
Accrued expenses and other current liabilities	1,485,197	2,201,382
Refundable advances	5,116,658	7,805,134
Notes payable	365,148	147,596
Lease liabilities, net - current	492,661	-
Total current liabilities	8,097,163	10,595,262
Notes payable, long-term	100,245	138,079
Lease liabilities, net - noncurrent	869,961	-
Total liabilities	9,067,369	10,733,341
Commitments and contingencies (Note 9 and 10)		
Net assets:		
Without donor restrictions	4,374,673	3,776,633
With donor restrictions	2,702,731	1,403,962
Total net assets	7,077,404	5,180,595
Total liabilities and net assets	\$ 16,144,773	\$ 15,913,936

See notes to consolidated financial statements.

International Development Enterprises and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Grant revenue	\$ 23,666,494	\$ 3,298,032	\$ 26,964,526
Private contributions	1,881,484	-	1,881,484
Field and program revenue	3,949,626	348,165	4,297,791
Sales, net	1,048,717	-	1,048,717
Interest income	30,756	-	30,756
Other income	1,357,922	-	1,357,922
Net assets released from restrictions	2,347,428	(2,347,428)	-
Total revenues, gains and other support	34,282,427	1,298,769	35,581,196
Expenses:			
Programs:			
Cambodia	4,626,444	-	4,626,444
Vietnam	320,153	-	320,153
Bangladesh	4,795,544	-	4,795,544
Nepal	1,243,025	-	1,243,025
Zambia	2,220,841	-	2,220,841
Ghana	1,487,616	-	1,487,616
Ethiopia	1,352,409	-	1,352,409
Mozambique	7,480,581	-	7,480,581
Honduras	619,895	-	619,895
United Kingdom	243,902	-	243,902
Multicountry projects	1,088,605	-	1,088,605
Hydrologic	1,297,678	-	1,297,678
Total program expenses	26,776,693	-	26,776,693
Services:			
General and administrative	6,057,480	-	6,057,480
Fundraising	531,418	-	531,418
Total supporting services expenses	6,588,898	-	6,588,898
Total expenses	33,365,591	-	33,365,591
Changes in net assets before other financial items	916,836	1,298,769	2,215,605
Currency translation adjustments	(318,796)	-	(318,796)
Change in net assets	598,040	1,298,769	1,896,809
Net assets:			
Beginning	3,776,633	1,403,962	5,180,595
Ending	\$ 4,374,673	\$ 2,702,731	\$ 7,077,404

See notes to consolidated financial statements.

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	1,054,998	-	1,054,998
Field and program revenue	3,035,742	173,559	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
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 Functional Expenses Year Ended December 31, 2022

Description	Cambodia	Vietnam	Bangladesh	Nepal	Zambia	Ghana	Ethiopia	Mozambique
Personnel	\$ 3,249,200	\$ 174,303	\$ 2,838,593	\$ 626,225	\$ 1,039,758	\$ 664,011	\$ 708,880	\$ 2,542,392
Subgrants	-	-	-	105,657	-	-	3,577	219,916
Office expense	315,360	31,246	485,134	100,863	390,667	161,157	162,962	890,120
Professional services	129,065	66,749	246,550	114,038	30,048	2,030	24,082	584,260
Travel and transportation	631,162	19,400	221,029	98,439	252,407	318,664	109,670	564,086
Implementation Costs	263,923	28,455	955,475	189,197	453,150	240,520	329,622	2,466,258
Business administrative expenses	13,274	-	19,168	6,647	11,911	73,694	9,580	143,884
Depreciation expense	24,460	-	29,595	1,959	42,900	27,540	4,036	69,665
Total	\$ 4,626,444	\$ 320,153	\$ 4,795,544	\$ 1,243,025	\$ 2,220,841	\$ 1,487,616	\$ 1,352,409	\$ 7,480,581

See notes to consolidated financial statements.

Description	Honduras	United Kingdom	Multicountry Projects	Hydrologic	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Personnel	\$ 403,764	\$ 216,106	\$ 533,606	\$ 511,806	\$ 13,508,644	\$ 4,379,873	\$ 436,243	\$ 4,816,116	\$ 18,324,760
Subgrants	-	-	-	-	329,150	556,297	-	556,297	885,447
Office expense	44,819	3	3,507	156,536	2,742,374	446,604	27,283	473,887	3,216,261
Professional services	11,360	1,944	434,468	117,998	1,762,592	350,352	51,450	401,802	2,164,394
Travel and transportation	39,885	24,200	104,769	48,391	2,432,102	6,408	16,352	22,760	2,454,862
Implementation Costs	103,776	1,649	12,225	297,899	5,342,149	297,184	90	297,274	5,639,423
Business administrative expenses	16,291	-	30	115,835	410,314	20,762	-	20,762	431,076
Depreciation expense	-	-	-	49,213	249,368	-	-	-	249,368
Total	\$ 619,895	\$ 243,902	\$ 1,088,605	\$ 1,297,678	\$ 26,776,693	\$ 6,057,480	\$ 531,418	\$ 6,588,898	\$ 33,365,591

International Development Enterprises and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Cambodia	Vietnam	Bangladesh	Nepal	Zambia	Ghana	Ethiopia	Mozambique
Personnel	\$ 3,574,038	\$ 127,821	\$ 3,478,170	\$ 496,598	\$ 625,914	\$ 731,613	\$ 518,591	\$ 1,153,693
Subgrants	11,480	-	-	64,208	-	-	-	131,938
Office expense	404,973	10,705	578,468	53,620	205,958	161,674	97,155	342,457
Professional services	122,075	17,350	331,425	8,844	19,962	3,654	12,419	476,778
Travel and transportation	417,495	14,512	172,107	27,392	145,721	98,979	31,947	322,352
Subcontracts and consultants	557,932	785	756,188	89,209	85,165	222,109	263,214	1,541,779
Business administrative expenses	29,162	-	17,939	630	8,013	45,927	125,474	37,786
Depreciation expense	28,440	-	29,595	1,959	18,166	-	-	18,442
Total	\$ 5,145,595	\$ 171,173	\$ 5,363,892	\$ 742,460	\$ 1,108,899	\$ 1,263,956	\$ 1,048,800	\$ 4,025,225

See notes to consolidated financial statements.

	Honduras	United Kingdom	Multicountry Projects	Hydrologic	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Personnel	\$ 356,143	\$ 51,046	\$ 353,621	\$ 472,035	\$ 11,939,283	\$ 3,429,785	\$ 304,496	\$ 3,734,281	\$ 15,673,564
Subgrants	-	-	-	-	207,626	-	-	-	207,626
Office expense	31,038	-	3,562	122,955	2,012,565	580,778	29,804	610,582	2,623,147
Professional services	7,463	8,600	521,260	229,226	1,759,056	506,940	42,000	548,940	2,307,996
Travel and transportation	26,169	1,037	14,324	29,988	1,302,023	48,072	19,902	67,974	1,369,997
Subcontracts and consultants	160,856	-	23,546	234,734	3,935,517	1,359	-	1,359	3,936,876
Business administrative expenses	2,849	-	-	72,741	340,521	297,392	-	297,392	637,913
Depreciation expense	-	-	-	20,056	116,658	60,851	-	60,851	177,509
Total	\$ 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 Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,896,809	\$ 381,825
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	249,368	177,509
Change in provision for bad debts	(206,710)	163,316
(Gain) loss on sale of property and equipment	(82,545)	33,914
Forgiveness of Paycheck Protection Program note payable	-	(761,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(257,957)	237,567
Grants receivable	(431,890)	224,784
Related party receivable	101,570	(246,224)
Inventories for sale	(36,898)	(43,748)
Prepaid expenses and other current assets	(76,676)	(598,254)
Deposits	(37,781)	1,935
Lease right of use assets	84,068	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(519,836)	211,912
Related party payable	-	(130,535)
Refundable advances	(2,688,476)	1,704,075
Lease liabilities	(29,221)	-
Net cash (used in) provided by operating activities	(2,036,175)	1,357,076
Cash flows from investing activities:		
Purchase of capital assets	(1,176,964)	(228,973)
Cash received from sale of assets	82,545	-
Net cash used in investing activities	(1,094,419)	(228,973)
Cash flows from financing activities:		
Proceeds from loan funds	255,920	291,259
Repayments of loan funds	(76,202)	(67,474)
Net cash provided by financing activities	179,718	223,785
(Decrease) increase in cash and cash equivalents	(2,950,876)	1,351,888
Cash and cash equivalents:		
Beginning	11,598,622	10,246,734
Ending	\$ 8,647,746	\$ 11,598,622
Supplemental schedule of noncash financing activities:		
Forgiveness of Paycheck Protection Program promissory note	\$ -	\$ 761,000

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); nutrition; and climate change resilience, to create income and livelihood opportunities for economically and socially marginalized households. iDE has made a difference for more than 40 million people by powering entrepreneurs and developing resilient market ecosystems that enable people living in low-income communities to participate in local economies. With staff in 14 countries around the world and employing over 1,200 people – 94 percent local – iDE is a catalyst for real change that powers people to prosper on their own terms. By constantly evaluating impact and tracking program data, iDE guarantees an average social return on investment of at least \$10 in household income or savings for every dollar spent.

Our programs assist developing world entrepreneurs to succeed and overcome challenges by participating in market ecosystems that are economically competitive, inclusive of all people, especially marginalized populations, and resilient to shocks such as conflict or changing climates. iDE has developed a unique impact model called Infinite — a comprehensive technical framework that packages all of iDE's diverse, sophisticated program activities into simple, standardized formats that allow us all to rapidly develop, assess, and implement project strategies. Our Infinite model provides a roadmap for how individuals who seek to participate in the market can move through a process of growth, establishing profitable livelihoods.

Hydrologic Social Enterprise Company Limited is a Cambodian company, wholly owned by iDE which manufactures and sells low-cost, ceramic water purifiers.

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.

A summary of iDE's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of iDE, IDEI, 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 \$174,334 and \$381,044 for the years ended December 31, 2022 and 2021, 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 is 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.

Leases: iDE determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. iDE also considers whether its service arrangements include the right to control the use of an asset.

Right-of-use assets (ROU assets) represent iDE's right to use an underlying asset for the lease term and lease liabilities represent iDE's obligation to make lease payments from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by iDE and excludes any lease incentive received from the lessor. Lease liabilities are recognized based on the present value of lease payments over the lease term.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

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

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. iDE elected the package of practical expedients permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. iDE made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less.

iDE's leases may include a nonlease component representing additional services transferred to iDE such as common area maintenance for real estate. iDE made an accounting policy election to account for each separate lease component and the nonlease components associated with that lease component as a single lease component. Nonlease components that are variable in nature are recorded in variable lease expense in the period incurred.

A lessee that is not a public business entity (PBE) is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under Accounting Standards Codification (ASC) 842, iDE has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website or foreign bank treasury websites.

Revenue recognition: The primary sources of revenue for iDE consists of grant revenue and 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.

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. Recognized conditional promises (conditional grants) are recorded to net assets without donors restrictions if any purpose or time restrictions are met simultaneously with the condition.

iDE received conditional grants and contributions approximating \$79,469,209 that have not been recognized as of December 31, 2022, because the conditions for revenue recognition have not been satisfied. Of this amount, \$5,116,658 of advanced payments have been received and are shown as deferred revenue on the consolidated statements of financial position.

iDE has made conditional promises (conditional grants) to implementing partners of \$1,420,849, as of December 31, 2022. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

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

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 \$841,564 and \$792,859 for the years ended December 31, 2022 and 2021, 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 2022 and 2021, 84,208 and 74,343 credits, respectively, were sold by iDE for the amounts of \$520,886 and \$354,319, 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.

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 and changes in net assets.

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.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

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

Use of estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles (U.S. GAAP) 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, 2022, iDE had \$144,654 of related party receivables and no related party liabilities recorded in 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 recorded on the consolidated statements of financial position.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing ROU lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. iDE adopted the new lease standard on January 1, 2022, using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on January 1, 2022, are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with iDE's historical accounting treatment under ASC Topic 840, *Leases*. The adoption of the new lease standard did not materially impact our consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

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*. The amendments in this ASU are intended to increase the transparency of contributed nonfinancial assets, or gifts-in-kind, for not-for-profit entities through enhanced presentation and disclosure. This standard is adopted beginning January 1, 2022, but did not have a material impact on iDE.

Subsequent events: iDE has evaluated subsequent events through August 1, 2023, the date on which the consolidated financial statements were available to be issued.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

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, 2022 and 2021, are as follows:

	2022	2021
Cash and cash equivalents	\$ 8,647,746	\$ 11,598,622
Accounts receivable, net	1,130,460	665,793
Grants receivable	2,008,228	1,576,338
Related party receivable	144,654	246,224
Total financial assets	11,931,088	14,086,977
Less:		
Refundable advances	(5,116,658)	(7,805,134)
Donor-restricted net assets	(2,702,731)	(1,403,962)
	(7,819,389)	(9,209,096)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,111,699	\$ 4,877,881

Note 3. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions during the year ended December 31, 2022, were as follows:

	Balance December 31, 2021	Additions	Releases	Balance December 31, 2022
Subject to expenditure for specific purpose:				
Building Resilience for Smallholder Farmers	\$ 495,584	\$ -	\$ (495,584)	\$ -
Financial Inclusion for Women in Agriculture	98,724	-	(98,724)	-
Global Nutrition: Resilient Food Supply Chains	-	2,000,000	(200,000)	1,800,000
Post Harvest Loss Technologies	500,000	300,000	(527,273)	272,727
Seeding the Future through Farm Business	76,830	574,125	(357,103)	293,852
Strengthening Farmer Income and Self Reliance	163,424	550,000	(486,150)	227,274
Sustainable Fecal Sludge Management	62,686	27,889	(90,575)	-
Other	6,714	194,183	(92,019)	108,878
Total net assets with donor restrictions	\$ 1,403,962	\$ 3,646,197	\$ (2,347,428)	\$ 2,702,731

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Net Assets with Donor Restrictions (Continued)

Changes in net assets with donor restrictions during the year ended December 31, 2021, were as follows:

	Balance December 31, 2020	Additions	Releases	Balance 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

Note 4. Leases

iDE has operating leases for its headquarters office lease as well as office leases in foreign field offices. Operating lease cost is recognized on a straight-line basis over the lease term. If iDE is reasonably certain to exercise these renewal options at lease inception, the options are considered in determining the lease term, and payments associated with the option years. Rent expense was approximately \$764,024 for the year ended December 31, 2022.

Operating lease ROU assets and lease liabilities as of December 31, 2022, consisted of the following:

Assets:	
Operating lease right-of-use assets	<u>\$ 1,307,775</u>
Liabilities:	
Operating lease liabilities, net	<u>\$ 1,362,622</u>

The components of lease expense are as follows:

Operating lease cost	\$ 472,635
Short-term cost	291,389
	<u>\$ 764,024</u>

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Leases (Continued)

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of lease		
Operating cash outflows—payments on operating leases	\$	569,248
ROU assets obtained in exchange for new lease obligations:		
Operating leases	\$	390,900
ROU assets as of January 1, 2022:		
Operating leases	\$	1,391,843
Lease liabilities as of January 1, 2022:		
Operating leases	\$	1,391,843

The lease term and discount rate for operating and financing leases are as follows:

Weighted-average remaining lease term for operating leases	1.18 years
Weighted-average discount rate for operating leases	5.86%

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the balance sheet as of December 31, 2022, is as follows:

	Operating Leases
Years ending December 31:	
2023	\$ 666,207
2024	384,483
2025	180,258
2026	175,047
2027	162,685
Thereafter	68,618
Total lease payments	1,637,298
Less imputed interest	(274,676)
Present value of lease liabilities	<u>\$ 1,362,622</u>

Future minimum lease commitments as determined under Topic 840 for noncancellable leases are the same as those noted above.

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, 2022 and 2021, amounted to \$238,974 and \$173,515, respectively.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Property and Equipment

Property and equipment at December 31, 2022 and 2021 consists of the following:

	2022	2021
Buildings and improvements	\$ 220,764	\$ 95,467
Furniture and equipment	437,778	401,155
Vehicles	2,171,446	1,273,741
Software (*)	370,511	370,511
Total	3,200,499	2,140,874
Less accumulated depreciation	(1,708,007)	(1,575,978)
Net property and equipment	<u>\$ 1,492,492</u>	<u>\$ 564,896</u>

*Software and website development have been aggregated as software.

Depreciation expense for the years ended December 31, 2022 and 2021, totaled \$249,368 and \$177,509, 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.

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 2022 and 2021, there was no Kiva fee charged on funds raised through the Kiva website. As of December 31, 2022 and 2021, 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, 2022 and 2021, the outstanding balance of funds raised through Kiva was \$465,393 and \$285,675, respectively.

International Development Enterprises and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Notes Payable (Continued)

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:

2023	\$	365,148
2024		93,355
2025		6,890
	\$	<u>465,393</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 consolidated statement of activities and changes in net assets 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

At December 31, 2022, iDE had a line of credit with a financial institution with maximum borrowings of up to \$500,000. The line of credit expired on February 1, 2023, and accrued interest at a rate of 4.25%. At December 31, 2022 and 2021, no amounts were outstanding on the line of credit.

iDE entered into a new line of credit with maximum borrowing of up to \$750,000 on March 10, 2023. The line of credit accrues interest at 8.75% and expires on March 10, 2024.

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.

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.

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.