

**FINANCIAL STATEMENTS**

# **EVIDENCE ACTION**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

## EVIDENCE ACTION

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Evidence Action  
Washington, D.C.

We have audited the accompanying financial statements of Evidence Action, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evidence Action as of December 31, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 14, 2014

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**EVIDENCE ACTION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,411,098
Contributions and grants receivable	<u>637,902</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,049,000</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 191,121
Loans payable (Note 2)	<u>195,300</u>
Total liabilities	<u>386,421</u>

**NET ASSETS**

Unrestricted	1,498,513
Temporarily restricted (Notes 3 and 6)	<u>1,164,066</u>
Total net assets	<u>2,662,579</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>3,049,000</u></b>

## EVIDENCE ACTION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions	\$ 164,099	\$ 803,290	\$ 967,389
Foundation grants (Note 5)	1,500,000	-	1,500,000
Contributed services and materials (Note 4)	414,822	-	414,822
Net assets released from donor restrictions (Note 3)	<u>31,224</u>	<u>(31,224)</u>	<u>-</u>
Total revenue	<u>2,110,145</u>	<u>772,066</u>	<u>2,882,211</u>
<b>EXPENSES</b>			
Program services:			
Dispensers for Safe Water Program	189,752	-	189,752
Deworm the World Initiative	<u>1,981</u>	<u>-</u>	<u>1,981</u>
Total program services	<u>191,733</u>	<u>-</u>	<u>191,733</u>
Supporting services:			
Management and General (Note 4)	416,797	-	416,797
Fundraising	<u>3,102</u>	<u>-</u>	<u>3,102</u>
Total supporting services	<u>419,899</u>	<u>-</u>	<u>419,899</u>
Total expenses	<u>611,632</u>	<u>-</u>	<u>611,632</u>
Change in net assets before other item	1,498,513	772,066	2,270,579
<b>OTHER ITEM</b>			
Net assets contributed by Deworm the World (Note 6)	<u>-</u>	<u>392,000</u>	<u>392,000</u>
Change in net assets	1,498,513	1,164,066	2,662,579
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,498,513</u></b>	<b><u>\$ 1,164,066</u></b>	<b><u>\$ 2,662,579</u></b>

**EVIDENCE ACTION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 2,662,579
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Contributions and grants receivable	(637,902)
Increase (decrease) in:	
Accounts payable and accrued liabilities	<u>191,121</u>
Net cash provided by operating activities	<u>2,215,798</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from loan payable	<u>195,300</u>
Net cash provided by financing activities	<u>195,300</u>
Net increase in cash and cash equivalents	2,411,098
Cash and cash equivalents at beginning of year	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,411,098</u></b>

## EVIDENCE ACTION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Evidence Action is a non-profit organization, incorporated and located in the District of Columbia. Evidence Action has assumed the management and growth responsibility for two programs that are currently making a difference in the lives of millions of people in Africa and Asia.

The following are the major programs of the Organization:

**Dispensers for Safe Water Program:** Chlorine dispensers are an innovative, low-cost approach proven to increase rates of household chlorination. Chlorine disinfects drinking water while protecting it from recontamination. Evidence Action has continued to see high adoption rates because of this program in both Kenya and Uganda. Evidence Action is currently piloting the chlorine dispenser system in Malawi and Tanzania. As of mid-2013, Evidence Action has provided 1 million people with access to safe water and plan to reach 25 million by 2018.

**Deworm the World Initiative:** Evidence Action helps translate evidence into widespread practice by advocating for school-based deworming to policymakers and providing technical assistance to launch, strengthen and sustain school-based deworming programs. Evidence Action leads the Deworm the World Initiative, operating in partnership with Innovations for Poverty Action in Kenya and Action Foundation for Social Services in India on deworming activities. Evidence Action works directly with governments to rapidly scale programs targeting all at-risk school-age children. Evidence Action works with state and national governments to institutionalize programs and to set the course for the eventual elimination of parasitic worms as a public health challenge. Typically, this requires a multi-year partnership.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

##### Cash and cash equivalents -

Evidence Action considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Evidence Action maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Contributions and grants receivable -

Contributions and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. All grants and contributions receivable are expected to be collected within one year.

##### Income taxes -

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

## EVIDENCE ACTION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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

##### Uncertain tax positions -

For the year ended December 31, 2013, Evidence Action has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Evidence Action and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Evidence Action and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

##### Contributed services and materials -

Contributed services and materials consist primarily of donated professional fees and personnel. Contributed services and materials are recorded at their fair market value as of the date of the gift.

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**EVIDENCE ACTION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**2. LOANS PAYABLE**

During 2013, Evidence Action obtained loans through a non-profit public benefit corporation to support the installation and maintenance of chlorine dispensers in Kenya. Repayment of the loans will come from the sales of carbon credits through the use of the chlorine dispensers. The term of the loans are for 84 months; carry no annual interest; and are not collateralized.

As of December 31, 2013, the outstanding principal of the loans payable was \$195,300.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2013:

<b>Deworm the World Initiative</b>	<b><u>\$1,164,066</u></b>
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The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Deworm the World Initiative	\$ 1,981
Dispensers for Safe Water Program	<u>29,243</u>
	<b><u>\$ 31,224</u></b>

**4. CONTRIBUTED SERVICES AND MATERIALS**

During the year ended December 31, 2013, Evidence Action was the beneficiary of donated goods and services which allowed Evidence Action to provide greater resources toward various programs. The following donations have been included in revenue and expense for the year ended December 31, 2013.

Donated professional fees	\$ 279,800
Donated personnel	62,356
Donated program costs	36,069
Donated travel	15,568
Donated occupancy and office expenses	5,942
Other	<u>15,087</u>
<b>TOTAL CONTRIBUTED SERVICES AND MATERIALS</b>	<b><u>\$ 414,822</u></b>

**5. CONCENTRATION OF REVENUE**

Approximately 50% of Evidence Action's revenue for the year ended December 31, 2013 was derived from a grant awarded by one donor. Evidence Action has no reason to believe that the relationship with this donor will be discontinued in the foreseeable future. However, any interruption of this relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Evidence Action's ability to finance ongoing operations.

**EVIDENCE ACTION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**6. NET ASSETS CONTRIBUTED BY DEWORM THE WORLD**

On December 27, 2013, an agreement was signed for the dissolution and transfer of assets of Deworm the World to Evidence Action. The agreement allowed Evidence Action to assume the Deworm the World brand, program activities and remaining assets, effective December 27, 2013. All funds transferred from Deworm the World are to be used solely for the purposes of the Deworm the World Initiative program at Evidence Action. The net asset contribution has been accounted for as an acquisition under ASC 958-805 *Business Combinations*, and the fair value of the assets contributed and liabilities assumed was as follows:

<b>Cash and Cash Equivalents</b>	<b>\$ <u>392,000</u></b>
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**7. SUBSEQUENT EVENTS**

In preparing these financial statements, Evidence Action has evaluated events and transactions for potential recognition or disclosure through November 14, 2014, the date the financial statements were issued.