

AUDITED FINANCIAL STATEMENTS



**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

EVIDENCE ACTION

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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We did not audit the financial activity of Evidence Action Kenya, Malawi and Uganda, whose statements reflect total assets constituting 2% and 4% of total assets as of December 31, 2017 and 2016, respectively, total revenues of 0.5% and 0% of total revenues, respectively, and total expenses of 38% and 44% of total expenses, respectively, for the years ended December 31, 2017 and 2016. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Evidence Action Kenya, Malawi and Uganda, is based solely on the reports of the other auditors dated June 5, 2018, May 29, 2018 and May 17, 2018, respectively. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Evidence Action as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

July 23, 2018

EVIDENCE ACTION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents:			
Cash held in the United States		\$ 39,043,576	\$ 8,690,934
Cash held in foreign jurisdictions		<u>476,104</u>	<u>398,397</u>
Total cash and cash equivalents		39,519,680	9,089,331
Investments		16,965,888	8,599,742
Contributions and grants receivable, net of allowance for doubtful accounts of \$105,770 and \$0 in 2017 and 2016, respectively		3,193,287	1,291,056
Accounts, employee, and other receivables		1,982,954	431,398
Prepaid expenses		265,333	243,695
Security deposits		<u>61,171</u>	<u>69,891</u>
Total current assets		<u>61,988,313</u>	<u>19,725,113</u>
FIXED ASSETS			
Furniture and equipment		160,993	160,993
Vehicles		<u>97,586</u>	<u>39,055</u>
		258,579	200,048
Less: Accumulated depreciation		<u>(116,906)</u>	<u>(58,569)</u>
Net fixed assets		<u>141,673</u>	<u>141,479</u>
OTHER ASSETS			
Contributions and grants receivable, net of current portion		<u>1,688,093</u>	<u>1,402,313</u>
TOTAL ASSETS		<u>\$ 63,818,079</u>	<u>\$ 21,268,905</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current portion of long-term debt		\$ 500,000	\$ 204,999
Accounts payable and accrued liabilities		<u>641,182</u>	<u>651,724</u>
Total current liabilities		<u>1,141,182</u>	<u>856,723</u>
LONG-TERM LIABILITIES			
Long-term debt		<u>-</u>	<u>3,074,950</u>
Total liabilities		<u>1,141,182</u>	<u>3,931,673</u>
NET ASSETS			
Unrestricted		3,959,791	(3,679,405)
Temporarily restricted		<u>58,717,106</u>	<u>21,016,637</u>
Total net assets		<u>62,676,897</u>	<u>17,337,232</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 63,818,079</u>	<u>\$ 21,268,905</u>

See accompanying notes to financial statements.

EVIDENCE ACTION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ 4,309,559	\$ 58,134,268	\$ 62,443,827
Carbon revenue	1,530,322	-	1,530,322
Investment income	482,133	-	482,133
Contributed services and materials	39,846	-	39,846
Other revenue	37,739	-	37,739
Net assets released from donor restrictions	<u>20,433,799</u>	<u>(20,433,799)</u>	<u>-</u>
Total revenue and gains	<u>26,833,398</u>	<u>37,700,469</u>	<u>64,533,867</u>
EXPENSES			
Program Services:			
Deworm the World Initiative	10,154,948	-	10,154,948
Dispensars for Safe Water Program	4,493,903	-	4,493,903
Evidence Action Beta	<u>3,953,687</u>	<u>-</u>	<u>3,953,687</u>
Total program services	<u>18,602,538</u>	<u>-</u>	<u>18,602,538</u>
Supporting Services:			
Management and General	365,889	-	365,889
Fundraising	<u>225,775</u>	<u>-</u>	<u>225,775</u>
Total supporting services	<u>591,664</u>	<u>-</u>	<u>591,664</u>
Total expenses	<u>19,194,202</u>	<u>-</u>	<u>19,194,202</u>
Change in net assets	7,639,196	37,700,469	45,339,665
Net assets at beginning of year	<u>(3,679,405)</u>	<u>21,016,637</u>	<u>17,337,232</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,959,791</u>	<u>\$ 58,717,106</u>	<u>\$ 62,676,897</u>

EVIDENCE ACTION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ 994,288	\$ 23,500,720	\$ 24,495,008
Carbon revenue	150,886	-	150,886
Investment income	328,126	-	328,126
Contributed services and materials	164,292	-	164,292
Other revenue	147,150	-	147,150
Net assets released from donor restrictions	<u>7,129,449</u>	<u>(7,129,449)</u>	<u>-</u>
Total revenue and gains	<u>8,914,191</u>	<u>16,371,271</u>	<u>25,285,462</u>
EXPENSES			
Program Services:			
Deworm the World Initiative	7,649,423	-	7,649,423
Dispensars for Safe Water Program	4,728,297	-	4,728,297
Evidence Action Beta	<u>2,688,760</u>	<u>-</u>	<u>2,688,760</u>
Total program services	<u>15,066,480</u>	<u>-</u>	<u>15,066,480</u>
Supporting Services:			
Management and General	649,742	-	649,742
Fundraising	<u>172,305</u>	<u>-</u>	<u>172,305</u>
Total supporting services	<u>822,047</u>	<u>-</u>	<u>822,047</u>
Total expenses	<u>15,888,527</u>	<u>-</u>	<u>15,888,527</u>
Change in net assets	(6,974,336)	16,371,271	9,396,935
Net assets at beginning of year	<u>3,294,931</u>	<u>4,645,366</u>	<u>7,940,297</u>
NET ASSETS AT END OF YEAR	<u><u>\$ (3,679,405)</u></u>	<u><u>\$ 21,016,637</u></u>	<u><u>\$ 17,337,232</u></u>

EVIDENCE ACTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Deworm the World Initiative	Dispensers for Safe Water Program	Evidence Action Beta	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,139,545	\$ 1,020,704	\$ 944,347	\$ 3,104,596	\$ 1,755,057	\$ 74,577	\$ 1,829,634	\$ 4,934,230
Payroll taxes and employee benefits	262,185	273,471	300,768	836,424	37,919	26,290	64,209	900,633
Contract services	3,983,661	260,545	427,680	4,671,886	578,122	101,301	679,423	5,351,309
Occupancy	95,740	163,017	62,762	321,519	222,586	6,021	228,607	550,126
Office expenses	476,689	478,273	64,120	1,019,082	146,643	5,762	152,405	1,171,487
Program management and material	1,475,316	1,246,071	20,743	2,742,130	9,975	-	9,975	2,752,105
Travel	656,651	222,805	193,796	1,073,252	82,305	4,741	87,046	1,160,298
Information technology	44,896	11,859	35,461	92,216	95,988	5,507	101,495	193,711
Insurance	5,119	17,485	3,658	26,262	17,102	43	17,145	43,407
Conferences and meetings	322,458	97,769	5,335	425,562	27,699	1,533	29,232	454,794
Grant awards	-	-	1,432,035	1,432,035	-	-	-	1,432,035
Other	20,473	8,824	35,423	64,720	127,010	-	127,010	191,730
Depreciation	-	3,897	-	3,897	54,440	-	54,440	58,337
Subtotal	8,482,733	3,804,720	3,526,128	15,813,581	3,154,846	225,775	3,380,621	19,194,202
Management and general expense allocation	1,672,215	689,183	427,559	2,788,957	(2,788,957)	-	(2,788,957)	-
TOTAL	\$ 10,154,948	\$ 4,493,903	\$ 3,953,687	\$ 18,602,538	\$ 365,889	\$ 225,775	\$ 591,664	\$ 19,194,202

See accompanying notes to financial statements.

EVIDENCE ACTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				Supporting Services			
	Deworm the World Initiative	Dispensers for Safe Water Program	Evidence Action Beta	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,071,502	\$ 1,314,344	\$ 706,777	\$ 3,092,623	\$ 1,095,536	\$ 107,479	\$ 1,203,015	\$ 4,295,638
Payroll taxes and employee benefits	168,236	211,163	149,322	528,721	207,724	21,744	229,468	758,189
Contract services	2,796,675	360,490	379,003	3,536,168	1,052,785	17,730	1,070,515	4,606,683
Occupancy	66,957	208,751	56,448	332,156	181,667	2,408	184,075	516,231
Office expenses	190,864	418,101	97,708	706,673	67,200	792	67,992	774,665
Program management and material	1,223,685	1,161,875	265,946	2,651,506	1,455	-	1,455	2,652,961
Travel	362,092	387,719	108,169	857,980	92,821	2,510	95,331	953,311
Information technology	18,320	17,124	27,008	62,452	63,599	19,508	83,107	145,559
Insurance	10,453	9,193	3,260	22,906	7,818	95	7,913	30,819
Conferences and meetings	108,628	13,863	38,878	161,369	18,082	39	18,121	179,490
Grant awards	531,741	(49,849)	463,145	945,037	454	-	454	945,491
Other	6,334	(27,620)	923	(20,363)	14,383	-	14,383	(5,980)
Depreciation	-	3,897	-	3,897	31,573	-	31,573	35,470
Subtotal	6,555,487	4,029,051	2,296,587	12,881,125	2,835,097	172,305	3,007,402	15,888,527
Management and general expense allocation	1,093,936	699,246	392,173	2,185,355	(2,185,355)	-	(2,185,355)	-
TOTAL	\$ 7,649,423	\$ 4,728,297	\$ 2,688,760	\$ 15,066,480	\$ 649,742	\$ 172,305	\$ 822,047	\$ 15,888,527

See accompanying notes to financial statements.

EVIDENCE ACTION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 45,339,665	\$ 9,396,935
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	58,337	35,470
Net realized and unrealized gains on investments	(134,208)	(102,662)
Change in discount on long-term receivables	(59,487)	(80,713)
Change in allowance for doubtful accounts	105,770	(163,091)
Forgiveness of long-term debt	(2,749,950)	-
Decrease (increase) in:		
Contributions and grants receivable	(2,234,294)	1,727,586
Accounts, employee, and other receivables	(1,551,556)	46,891
Prepaid expenses	(21,638)	23,615
Security deposits	8,720	(26,544)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>(10,542)</u>	<u>344,980</u>
Net cash provided by operating activities	<u>38,750,817</u>	<u>11,202,467</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(58,531)	(95,237)
Purchases of investments	(11,367,942)	(7,033,003)
Proceeds from sale of investments	<u>3,136,004</u>	<u>35,923</u>
Net cash used in investing activities	<u>(8,290,469)</u>	<u>(7,092,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	699,999
Payments on long-term debt	<u>(29,999)</u>	<u>(20,000)</u>
Net cash (used) provided by financing activities	<u>(29,999)</u>	<u>679,999</u>
Net increase in cash and cash equivalents	30,430,349	4,790,149
Cash and cash equivalents at beginning of year	<u>9,089,331</u>	<u>4,299,182</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 39,519,680</u>	<u>\$ 9,089,331</u>
SUPPLEMENTAL INFORMATION:		
Donated Securities	<u>\$ 3,457,864</u>	<u>\$ 26,222</u>

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Evidence Action is a 501(c)(3) non-profit organization, incorporated and headquartered in the District of Columbia. Evidence Action has assumed the management and growth responsibility of three 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:

Deworm the World Initiative: Evidence Action's Deworm the World Initiative helps to 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 works directly with governments to rapidly scale programs targeting all at-risk school-age children. Regular deworming results in improved education, health, and long-term well-being for treated children.

Dispensers for Safe Water Program: Chlorine dispensers are an innovative, low-cost approach proven to increase rates of household chlorination of drinking water in rural areas of Sub-Saharan Africa. Chlorine disinfects drinking water while protecting it from recontamination for up to 72 hours. Evidence Action has continued to see high adoption rates of around 50% as they continue to operate in Kenya, Uganda and Malawi. Evidence Action is providing nearly four million people with access to safe water.

Evidence Action Beta: Evidence Action Beta identifies and pressure-tests evidence-based innovations that reduce the burden of poverty, and then designs and builds the most cost-effective programs for massive scale. Evidence Action Beta looks for promising interventions that have already been subjected to rigorous scientific trials, focusing on interventions that are pro-poor, have measurable impact, and have the potential to be cost-effectively scaled up to benefit millions of people.

Basis of presentation -

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States.

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.

Evidence Action maintains numerous bank accounts in foreign countries, which are largely uninsured. Total cash and cash equivalents held outside the United States was \$476,104 as of December 31, 2017.

Foreign currency translation -

The U.S. Dollar is the functional currency for Evidence Action. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

Foreign currency translation (continued) -

Gains and losses on translation of foreign currencies, which are not material, are recorded in the Statements of Activities and Changes in Net Assets.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Receivables -

Contributions and grants receivable are presented at estimated fair value. Contributions and grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Accretion of the discounts is included in contributions and grants revenue. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience. As a result of these reviews, management establishes an allowance as a best estimate of probable losses. All contribution and grants receivable balances, or portions thereof, that are deemed to be uncollectible, or that require excessive collection cost, are written off.

Accounts, employee and other receivables are expected to be collected within one year and are considered by management to be substantially collectible. Accordingly, no allowance for doubtful accounts has been established for the amounts. Conditional promises to give are not included as support until the conditions are substantially met.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$58,337 and \$35,470, respectively.

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.

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, Evidence Action has considered potential uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

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 or for which restrictions have expired. 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 Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, grants and contracts -

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 services and personnel. Contributed services and materials are recorded at their estimated fair value as of the date of the gift based upon the donors' and management's estimates.

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 various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on grant level direct cost inputs that ensures full recovery of all allowable costs.

Risks and uncertainties -

Evidence Action invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

Risks and uncertainties (continued) -

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Evidence Action utilizes a framework for measuring fair value based upon a fair value hierarchy utilizing inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) to measure fair value, and enhances disclosure requirements for fair value measurements. Evidence Action accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Evidence Action's financial statements, it is not expected to alter Evidence Action's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Evidence Action has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Evidence Action plans to adopt the new ASUs at the respective required implementation dates.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

2. INVESTMENTS

Investments, at fair value, consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Exchange-Traded Funds	\$ 1,813,424	\$ 1,097,441
Equities	280,596	-
Mutual Funds	<u>14,871,868</u>	<u>7,502,301</u>
TOTAL INVESTMENTS	<u>\$ 16,965,888</u>	<u>\$ 8,599,742</u>

Investment income for the years ended December 31, 2017 and 2016 includes:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 347,925	\$ 225,464
Net realized and unrealized gain	<u>134,208</u>	<u>102,662</u>
TOTAL INVESTMENT INCOME	<u>\$ 482,133</u>	<u>\$ 328,126</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, Evidence Action has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Evidence Action has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- *Exchange-traded funds* - Valued at the closing price reported on the active market in which the individual securities are traded (typically tracks an index).
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Evidence Action are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Evidence Action are deemed to be actively traded.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

2. INVESTMENTS (Continued)

The table below summarizes, by level within the fair value hierarchy, Evidence Action's investments as of December 31, 2017:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-Traded Funds	\$ 1,813,424	\$ -	\$ -	\$ 1,813,424
Equities	280,596	-	-	280,596
Mutual Funds	<u>14,871,868</u>	<u>-</u>	<u>-</u>	<u>14,871,868</u>
TOTAL	<u>\$ 16,965,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,965,888</u>

The table below summarizes, by level within the fair value hierarchy, Evidence Action's investments as of December 31, 2016:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-Traded Funds	\$ 1,097,441	\$ -	\$ -	\$ 1,097,441
Mutual Funds	<u>7,502,301</u>	<u>-</u>	<u>-</u>	<u>7,502,301</u>
TOTAL	<u>\$ 8,599,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,599,742</u>

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017 and 2016. Transfers between levels are recorded at the end of the reporting period, if applicable.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2017 and 2016, contributors to Evidence Action have made written promises to give totaling \$5,025,350 and \$2,791,056, respectively. Contributions and grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of approximately 2%. Contributions and grants are due as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 3,299,057	\$ 1,291,056
One to five years	<u>1,726,293</u>	<u>1,500,000</u>
Total	5,025,350	2,791,056
Less: Allowance to discount balance to present value	(38,200)	(97,687)
Less: Allowance for doubtful contributions and grants	<u>(105,770)</u>	<u>-</u>
	4,881,380	2,693,369
Less: Current portion	<u>(3,193,287)</u>	<u>(1,291,056)</u>
CONTRIBUTIONS AND GRANTS RECEIVABLE, NET OF CURRENT PORTION, ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PRESENT VALUE DISCOUNT	<u>\$ 1,688,093</u>	<u>\$ 1,402,313</u>

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

4. CONTRIBUTED SERVICES AND MATERIALS

During the years ended December 31, 2017 and 2016, Evidence Action was the beneficiary of donated goods and services, which allowed Evidence Action to provide greater resources toward various programs. The fair value of these donations was estimated to be \$39,846 and \$164,292 based upon the donors' and management's estimates and is included in revenue and expense in the accompanying Statements of Activities and Changes in Net Assets.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deworm the World Initiative	\$ 37,652,274	\$ 18,348,478
Dispensers for Safe Water Program	1,780,975	510,398
Evidence Action Beta	17,115,421	2,157,761
Other	<u>2,168,436</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 58,717,106</u>	<u>\$ 21,016,637</u>

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:

	<u>2017</u>	<u>2016</u>
Deworm the World Initiative	\$ 10,286,204	\$ 4,234,424
Dispensers for Safe Water Program	5,031,661	1,541,474
Evidence Action Beta	4,642,070	1,353,551
Other	<u>473,864</u>	<u>-</u>
	<u>\$ 20,433,799</u>	<u>\$ 7,129,449</u>

6. LONG-TERM DEBT

Evidence Action has obtained loans from three non-profit public benefit corporations to support the installation and maintenance of chlorine dispensers in Kenya and Malawi. Repayment of each of the loans is based on sales of carbon credits relating to those chlorine dispensers specified in each agreement. As such, repayment amounts are not guaranteed nor certain as payment amounts are representative of future events that may or may not occur. Should events not occur, payments may not be required. The terms of the first two loans are for 84 months and the term of the third loan is for 120 months. The loans carry no annual interest and are not collateralized.

As of December 31, 2016, the outstanding principal of the loans payable was \$3,279,949. During the year ended December 31, 2017, \$2,749,950 of the outstanding principal was forgiven and is included in contributions and grants in the accompanying Statements of Activities and Changes in Net Assets. As of December 31, 2017, the outstanding principal of the loans payable was \$500,000. Subsequent to year-end, the remaining outstanding principal was forgiven.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

7. LEASE COMMITMENTS

Evidence Action leases office space under agreements in Washington, D.C., the Republic of Kenya, the Republic of Uganda and the Republic of Malawi. These operating leases expire in various years through 2022.

On March 19, 2018, Evidence Action entered into a 3.5 year agreement to lease new office space in Washington, D.C. Base rent is \$294,170 a year, increasing by a factor of 4% per year. The lease includes six months of abated rent at a rate of 50% in the first year of the lease.

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

<u>Year Ending December 31,</u>	
2018	\$ 282,276
2019	392,280
2020	408,874
2021	370,801
2022	<u>49,646</u>
	<u>\$ 1,503,877</u>

Occupancy costs for the years ended December 31, 2017 and 2016 were \$550,126 and \$516,231, respectively.

8. RETIREMENT PLAN

Evidence Action provides retirement benefits to its eligible employees. The type of plan and matching contribution differ in each country in which it has operations, with a maximum employer contribution of 10%. Contributions to the Plans during the years ended December 31, 2017 and 2016 totaled \$168,483 and \$165,437, respectively.

9. CONCENTRATION OF REVENUE

Approximately 48% of Evidence Action's revenue for the year ended December 31, 2017 was derived from grants awarded by two donors. For the year ended December 31, 2016, approximately 54% of Evidence Action's revenue was derived from grants awarded by two donors (one of these donors was the same in 2016 and 2017). Evidence Action does not believe that relationships with these donors will be discontinued in the foreseeable future. Additionally the contributions received from these donors in both 2016 and 2017 were to programs over several years (up to 3 years) and the cash for all of these grants have been received in full. However, any interruption of these relationships (i.e., the failure to renew grant agreements) could adversely affect Evidence Action's ability to finance ongoing operations.

10. SUBSEQUENT EVENTS

In preparing these financial statements, Evidence Action has evaluated events and transactions for potential recognition or disclosure through July 23, 2018, the date the financial statements were issued.