

**FINANCIAL STATEMENTS**

# **EVIDENCE ACTION**

**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

## 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 statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, functional expenses 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, 2014, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Report on Summarized Comparative Information**

We have previously audited Evidence Action's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

October 30, 2015

## EVIDENCE ACTION

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

## ASSETS

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,619,350	\$ 2,411,098
Contributions and grants receivable	4,185,052	637,902
Accounts receivable	254,623	-
Employee and other receivables	185,133	-
Prepaid expenses	<u>230,301</u>	<u>-</u>
Total current assets	<u>12,474,459</u>	<u>3,049,000</u>
<b>FIXED ASSETS</b>		
Computer equipment	<u>21,740</u>	<u>-</u>
Less: Accumulated depreciation	<u>(4,831)</u>	<u>-</u>
Net fixed assets	<u>16,909</u>	<u>-</u>
<b>OTHER ASSETS</b>		
Contributions and grants receivable, net of current portion	2,458,759	-
Security deposits	<u>13,122</u>	<u>-</u>
Total other assets	<u>2,471,881</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,963,249</u></b>	<b><u>\$ 3,049,000</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 328,750	\$ 191,121
Loans payable	<u>932,400</u>	<u>195,300</u>
Total liabilities	<u>1,261,150</u>	<u>386,421</u>
<b>NET ASSETS</b>		
Unrestricted	3,000,056	1,498,513
Temporarily restricted	<u>10,702,043</u>	<u>1,164,066</u>
Total net assets	<u>13,702,099</u>	<u>2,662,579</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 14,963,249</u></b>	<b><u>\$ 3,049,000</u></b>

## EVIDENCE ACTION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions and grants	\$ 2,271,358	\$ 13,511,778	\$ 15,783,136	\$ 2,467,389
Contributed services and materials	78,955	-	78,955	414,822
Net assets released from donor restrictions	<u>3,973,801</u>	<u>(3,973,801)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,324,114</u>	<u>9,537,977</u>	<u>15,862,091</u>	<u>2,882,211</u>
<b>EXPENSES</b>				
Program Services:				
Deworm the World Initiative	1,835,386	-	1,835,386	1,981
Dispensars for Safe Water Program	1,340,064	-	1,340,064	189,752
Evidence Action Beta	<u>798,351</u>	<u>-</u>	<u>798,351</u>	<u>-</u>
Total program services	<u>3,973,801</u>	<u>-</u>	<u>3,973,801</u>	<u>191,733</u>
Supporting Services:				
Management and General	836,819	-	836,819	416,797
Fundraising	<u>11,951</u>	<u>-</u>	<u>11,951</u>	<u>3,102</u>
Total supporting services	<u>848,770</u>	<u>-</u>	<u>848,770</u>	<u>419,899</u>
Total expenses	<u>4,822,571</u>	<u>-</u>	<u>4,822,571</u>	<u>611,632</u>
Change in net assets before other item	1,501,543	9,537,977	11,039,520	2,270,579
<b>OTHER ITEM</b>				
Net assets contributed by Deworm the World	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,000</u>
Change in net assets	1,501,543	9,537,977	11,039,520	2,662,579
Net assets at beginning of year	<u>1,498,513</u>	<u>1,164,066</u>	<u>2,662,579</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,000,056</u></b>	<b><u>\$ 10,702,043</u></b>	<b><u>\$ 13,702,099</u></b>	<b><u>\$ 2,662,579</u></b>

## EVIDENCE ACTION

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014						2013		
	Program Services			Supporting Services			Total Expenses	Total Expenses	
	Deworm the World Initiative	Dispensers for Safe Water Program	Evidence Action Beta	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 467,615	\$ 337,903	\$ 220,023	\$ 1,025,541	\$ 345,942	\$ -	\$ 345,942	\$1,371,483	\$ 62,355
Payroll taxes	4,138	-	809	4,947	48,788	-	48,788	53,735	-
Employee benefits	7,903	62,701	203	70,807	64,381	-	64,381	135,188	1,871
Contract services	110,090	140,969	75,017	326,076	186,535	3,360	189,895	515,971	279,800
Occupancy	21,937	45,092	11,274	78,303	28,616	1,952	30,568	108,871	5,942
Office expenses	48,470	131,196	14,378	194,044	44,456	-	44,456	238,500	5,689
Program management and material	85,073	200,913	8,767	294,753	287	-	287	295,040	225,319
Travel	329,485	215,872	57,203	602,560	36,864	193	37,057	639,617	15,568
Information technology	16,340	34,945	40,031	91,316	48,909	-	48,909	140,225	-
Insurance	31,090	7,183	9,037	47,310	10,997	-	10,997	58,307	-
Conferences and meetings	43,543	22,867	8,244	74,654	218	-	218	74,872	-
Grant awards	664,564	123,593	347,153	1,135,310	-	-	-	1,135,310	-
Other	5,138	16,830	6,212	28,180	15,995	6,446	22,441	50,621	15,088
Depreciation and amortization	-	-	-	-	4,831	-	4,831	4,831	-
<b>TOTAL</b>	<b>\$1,835,386</b>	<b>\$1,340,064</b>	<b>\$ 798,351</b>	<b>\$ 3,973,801</b>	<b>\$ 836,819</b>	<b>\$ 11,951</b>	<b>\$ 848,770</b>	<b>\$4,822,571</b>	<b>\$611,632</b>

See accompanying notes to financial statements.

## EVIDENCE ACTION

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,039,520	\$ 2,662,579
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,831	-
(Increase) decrease in:		
Contributions and grants receivable	(6,005,909)	(637,902)
Accounts receivable	(254,623)	-
Employee and other receivables	(185,133)	-
Prepaid expenses	(230,301)	-
Security deposits	(13,122)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>137,629</u>	<u>191,121</u>
Net cash provided by operating activities	<u>4,492,892</u>	<u>2,215,798</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(21,740)</u>	<u>-</u>
Net cash used by investing activities	<u>(21,740)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	<u>737,100</u>	<u>195,300</u>
Net cash provided by financing activities	<u>737,100</u>	<u>195,300</u>
Net increase in cash and cash equivalents	5,208,252	2,411,098
Cash and cash equivalents at beginning of year	<u>2,411,098</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 7,619,350</u></b>	<b><u>\$ 2,411,098</u></b>



## EVIDENCE ACTION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 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 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:

**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. Dispensers for Safe Water provide sustainable, quality services to rural households. Evidence Action has continued to see high adoption rates as they scale Dispensers for Safe Water in Kenya, Uganda, and Malawi. As of early 2015, Evidence Action is providing more than 3 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.

**Evidence Action Beta:** Evidence Action Beta investigates what interventions might be suitable for massive scale up. Similar to beta testing for software, Evidence Action aims to ensure maximum benefit while reducing any unintended consequences of massive scale up of an intervention. The mission is to scale global development programs that have proven to be effective, that are cost-effective relative to their impact, and for which the organization can develop sound business and financing modes so that millions of people benefit. Evidence Action Beta identifies and pressure-tests the interventions that are suitable for such scale-up.

##### 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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Evidence Action's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

##### 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

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

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

##### Receivables -

Accounts, contributions and grants, employee and other receivables approximate fair value. Contributions and grants receivable that are expected to be collected in future years are recorded at 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. Amortization of the discounts is included in contributions and grants revenue. Accounts, employee and other receivables are expected to be collected within one year. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Fixed assets -

Fixed assets in excess of \$3,000 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. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2014 totaled \$4,831.

##### 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 year ended December 31, 2014, 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.

## EVIDENCE ACTION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

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

##### 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.

##### Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

#### 2. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2014, contributors to Evidence Action have made written promises to give totaling \$6,653,028. 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 .21%.

Grants are due as follows at December 31, 2014:

Less than one year	\$ 4,185,052
One to five years	<u>2,467,976</u>
Total	6,653,028
Less: Allowance to discount balance to present value	<u>(9,217)</u>
<b>GRANTS RECEIVABLE</b>	<b><u>\$ 6,643,811</u></b>

## EVIDENCE ACTION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 3. LOANS PAYABLE

During 2013 and 2014, Evidence Action obtained loans through two non-profit public benefit corporations 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, 2014, the outstanding principal of the loans payable was \$932,400.

#### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014:

Dispensers for Safe Water Program	\$ 1,330,796
Deworm the World Initiative	8,518,688
Evidence Action Beta	<u>852,559</u>
	<b><u>\$ 10,702,043</u></b>

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	\$ 1,835,386
Dispensers for Safe Water Program	1,340,064
Evidence Action Beta	<u>798,351</u>
	<b><u>\$ 3,973,801</u></b>

#### 5. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2014, 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, 2014.

Donated professional fees	\$ 54,925
Donated occupancy and office expenses	17,030
Donated Honorarium contributions	<u>7,000</u>
<b>TOTAL CONTRIBUTED SERVICES AND MATERIALS</b>	<b><u>\$ 78,955</u></b>

#### 6. LEASE COMMITMENTS

Evidence Action leases office space under agreements in Washington D.C. and the Republic of Kenya. During 2014, Evidence Action entered into several additional lease agreements in the Republic of Uganda and the Republic of Malawi. These leases commence in 2015 and expire in various years through 2018.

**EVIDENCE ACTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**6. LEASE COMMITMENTS (Continued)**

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

<u>Year Ending December 31,</u>	
2015	\$ 204,445
2016	37,381
2017	21,569
2018	<u>3,414</u>
	<b><u>\$ 266,809</u></b>

Occupancy costs for the year ended December 31, 2014 were \$108,871.

**7. CONCENTRATION OF REVENUE**

Approximately 90% of Evidence Action's revenue for the Deworm the World Initiative for the year ended December 31, 2014 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 relationship (i.e., the failure to renew grant agreements or withholding of funds) could adversely affect Evidence Action's ability to finance ongoing operations for this program.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, Evidence Action has evaluated events and transactions for potential recognition or disclosure through October 30, 2015, the date the financial statements were issued.