

AUDITED FINANCIAL STATEMENTS

EVIDENCE ACTION

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
WITH CONDENSED FINANCIAL
STATEMENTS FOR 2014**

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, 2015, 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 did not audit the financial activity of Evidence Action Kenya, Malawi, and Uganda, whose statements reflect total assets constituting 12% of the total assets as of December 31, 2015. Those statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for Evidence Action Kenya, Malawi, and Uganda, are based solely on the reports of the other auditors. 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, 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, 2015, 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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Report on Summarized Comparative Information

We have previously audited Evidence Action's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2015. In our opinion, the condensed financial statements presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

December 29, 2016

EVIDENCE ACTION

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH CONDENSED FINANCIAL STATEMENTS FOR 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 3,340,213	\$ 7,535,205
Cash held in foreign jurisdictions	<u>958,969</u>	<u>84,146</u>
Total cash and cash equivalents	4,299,182	7,619,351
Investments (Notes 2 and 9)	1,500,000	-
Contributions and grants receivable, net of allowance for doubtful accounts of \$163,091 in 2015 (Note 3)	2,394,778	4,350,967
Accounts receivable	477,734	254,623
Employee and other receivables	555	19,218
Prepaid expenses	<u>267,310</u>	<u>230,301</u>
Total current assets	<u>8,939,559</u>	<u>12,474,460</u>
FIXED ASSETS		
Equipment	65,756	21,740
Vehicles	39,055	-
Less: Accumulated depreciation	<u>(23,099)</u>	<u>(4,831)</u>
Net fixed assets	<u>81,712</u>	<u>16,909</u>
OTHER ASSETS		
Contributions and grants receivable, net of current portion (Note 3)	1,782,373	2,458,759
Security deposits	<u>43,347</u>	<u>13,122</u>
Total other assets	<u>1,825,720</u>	<u>2,471,881</u>
TOTAL ASSETS	<u>\$ 10,846,991</u>	<u>\$ 14,963,250</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 6)	\$ 20,000	\$ 932,400
Accounts payable and accrued liabilities	<u>306,744</u>	<u>328,751</u>
Total current liabilities	<u>326,744</u>	<u>1,261,151</u>
LONG-TERM LIABILITIES		
Long-term debt (Note 6)	<u>2,579,950</u>	<u>-</u>
Total liabilities	<u>2,906,694</u>	<u>1,261,151</u>
NET ASSETS		
Unrestricted	3,294,931	3,836,875
Temporarily restricted (Note 5)	<u>4,645,366</u>	<u>9,865,224</u>
Total net assets	<u>7,940,297</u>	<u>13,702,099</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,846,991</u>	<u>\$ 14,963,250</u>

See accompanying notes to financial statements.

EVIDENCE ACTION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH CONDENSED FINANCIAL STATEMENTS FOR 2014**

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions and grants	\$ 3,145,175	\$ 3,594,750	\$ 6,739,925	\$ 14,783,402
Government contracts	-	1,069,356	1,069,356	999,734
Net unrealized gains on investments	14,357	-	14,357	-
Contributed services and materials (Note 4)	20,532	-	20,532	78,955
Other revenue	14,007	-	14,007	-
Net assets released from donor restrictions (Note 5)	<u>9,883,964</u>	<u>(9,883,964)</u>	<u>-</u>	<u>-</u>
Total revenue and gains	<u>13,078,035</u>	<u>(5,219,858)</u>	<u>7,858,177</u>	<u>15,862,091</u>
EXPENSES				
Program Services:				
Deworm the World Initiative	5,168,671	-	5,168,671	2,221,121
Dispensers for Safe Water Program	6,194,830	-	6,194,830	1,632,676
Evidence Action Beta	<u>1,280,545</u>	<u>-</u>	<u>1,280,545</u>	<u>956,823</u>
Total program services	<u>12,644,046</u>	<u>-</u>	<u>12,644,046</u>	<u>4,810,620</u>
Supporting Services:				
Management and General	915,279	-	915,279	-
Fundraising	<u>60,654</u>	<u>-</u>	<u>60,654</u>	<u>11,951</u>
Total supporting services	<u>975,933</u>	<u>-</u>	<u>975,933</u>	<u>11,951</u>
Total expenses	<u>13,619,979</u>	<u>-</u>	<u>13,619,979</u>	<u>4,822,571</u>
Change in net assets	(541,944)	(5,219,858)	(5,761,802)	11,039,520
Net assets at beginning of year	<u>3,836,875</u>	<u>9,865,224</u>	<u>13,702,099</u>	<u>2,662,579</u>
NET ASSETS AT END OF YEAR (Note 10)	\$ <u>3,294,931</u>	\$ <u>4,645,366</u>	\$ <u>7,940,297</u>	\$ <u>13,702,099</u>

EVIDENCE ACTION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH CONDENSED FINANCIAL STATEMENTS FOR 2014**

	2015							2014	
	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	\$ 1,024,101	\$ 1,432,031	\$ 539,412	\$ 2,995,544	\$ 800,738	\$ 37,056	\$ 837,794	\$ 3,833,338	\$ 1,371,483
Payroll taxes	85,397	53,464	82,521	221,382	56,887	-	56,887	278,269	53,735
Employee benefits	148,792	298,460	104,731	551,983	68,210	2,283	70,493	622,476	135,188
Contract services (Note 4)	594,462	46,518	99,789	740,769	162,300	12,205	174,505	915,274	515,971
Occupancy (Note 7)	67,560	264,010	40,342	371,912	79,904	-	79,904	451,816	108,871
Office expenses	157,391	500,585	40,346	698,322	44,429	1,083	45,512	743,834	238,500
Program management and material	563,923	1,830,779	23,427	2,418,129	-	-	-	2,418,129	295,040
Travel	266,818	805,589	111,494	1,183,901	120,962	4,141	125,103	1,309,004	639,617
Information technology	11,395	42,917	6,224	60,536	86,719	3,730	90,449	150,985	140,225
Insurance	685	9,989	488	11,162	4,740	-	4,740	15,902	58,307
Conferences and meetings	66,473	49,531	7,446	123,450	23,762	156	23,918	147,368	74,872
Grant awards	1,458,799	-	71,515	1,530,314	-	-	-	1,530,314	1,135,310
Other (Note 3)	64,862	181,359	8,667	254,888	930,114	-	930,114	1,185,002	50,621
Depreciation	-	-	-	-	18,268	-	18,268	18,268	4,831
Subtotal	4,510,658	5,515,232	1,136,402	11,162,292	2,397,033	60,654	2,457,687	13,619,979	4,822,571
Management and General expense allocation	658,013	679,598	144,143	1,481,754	(1,481,754)	-	(1,481,754)	-	-
TOTAL	\$ 5,168,671	\$ 6,194,830	\$ 1,280,545	\$ 12,644,046	\$ 915,279	\$ 60,654	\$ 975,933	\$ 13,619,979	\$ 4,822,571

See accompanying notes to financial statements.

EVIDENCE ACTION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH CONDENSED FINANCIAL STATEMENTS FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,761,802)	\$ 11,039,520
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	18,268	4,831
Net realized and unrealized gain on investments	(14,357)	-
Change in allowance for doubtful accounts	163,091	-
(Increase) decrease in:		
Contributions and grants receivable	2,469,484	(6,005,909)
Accounts receivable	(223,111)	(420,538)
Employee and other receivables	18,663	(19,218)
Prepaid expenses	(37,009)	(230,301)
Security deposits	(30,225)	(13,122)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(22,007)</u>	<u>137,630</u>
Net cash (used) provided by operating activities	<u>(3,419,005)</u>	<u>4,492,893</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(83,071)	(21,740)
Purchase of investments	<u>(1,485,643)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,568,714)</u>	<u>(21,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,800,000	737,100
Payments on long-term debt	<u>(132,450)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,667,550</u>	<u>737,100</u>
Net (decrease) increase in cash and cash equivalents	(3,320,169)	5,208,253
Cash and cash equivalents at beginning of year	<u>7,619,351</u>	<u>2,411,098</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,299,182</u>	<u>\$ 7,619,351</u>

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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 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.

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.

Evidence Action Beta: Evidence Action Beta investigates interventions that might be suitable for massive scale. Similar to beta testing for software, Evidence Action aims to achieve maximum benefit while reducing unintended consequences of massive scale 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.

Basis of presentation -

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States and FASB ASC 958, *Not-for-Profit Entities*.

Preparation of these statements requires management to make estimates and develop assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results may differ significantly from management estimates.

The condensed financial statements for 2014 have been derived from our 2014 audited financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with Evidence Action's audited financial statements as of and for the year ended December 31, 2014, from which the summarized financial statements were derived.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

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.

Included in cash and cash equivalents as of December 31, 2015 is restricted cash in the amount of \$740,017.

Foreign currency translation -

The dollar (dollars) 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 Statement of Financial Position. Gains and losses on translation of foreign currencies are recorded in the Statement of Activities and Change in Net Assets.

Investments -

Investments are recorded at their estimated fair value. Fair value is based on the price that would be received from selling the investment in an orderly transaction between market participants at the transaction date. Interest, dividends, realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change 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. Amortization 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 has established 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.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

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. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2015 totaled \$18,268.

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, 2015, 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.

Fiscal years ending on or after June 30, 2014 remain subject to examination by federal and state tax authorities.

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 Statement of Activities and Change 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.

EVIDENCE ACTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Contributions, grants and contracts (continued) -

Evidence Action also receives funding under contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Management has recorded government contract revenue as temporarily restricted and recorded unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

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.

Functional allocation of expenses -

The costs of providing 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 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. 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 adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used 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.

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.

EVIDENCE ACTION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

2. INVESTMENTS

Investments consisted of the following at December 31, 2015:

	<u>Fair Value</u>
Mutual Funds	\$ <u>1,500,000</u>

Included in investment income are the following:

Net Realized and Unrealized Gain	\$ <u>14,357</u>
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3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2015, contributors to Evidence Action have made written promises to give totaling \$4,518,642. 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 3.37%.

Contributions and grants are due as follows at December 31, 2015:

Less than one year	\$ 2,557,869
One to five years	<u>1,960,773</u>
Total	4,518,642
Less: Allowance to discount balance to present value	(178,400)
Less: Allowance for doubtful contributions and grants	<u>(163,091)</u>
	4,177,151
Less: Current portion	<u>(2,394,778)</u>

CONTRIBUTIONS AND GRANTS RECEIVABLE, NET OF CURRENT PORTION, ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PRESENT VALUE DISCOUNT	\$ <u>1,782,373</u>
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Included within the allowance for doubtful accounts and bad debt expense are amounts (\$163,091 and \$907,588 respectively) related to contractual uncertainties. While management believes that these receivables arose from transactions that were in accordance with the intentions of the parties, there can be no assurance as to their ultimate collection. Accordingly, the allowance and related bad debt expense include management's current estimate of potential uncollectible amounts.

4. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2015, 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 \$20,532 based upon the donors' and management's estimates and is included in revenue and expense in the accompanying Statement of Activities and Change in Net Assets.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Deworm the World Initiative	\$ <u>4,645,366</u>
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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	\$ 5,168,671
Dispensers for Safe Water Program	3,650,242
Evidence Action Beta	<u>1,065,051</u>
	\$ <u>9,883,964</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.

Repayment of the loans are based on sales of carbon credits through the use of the chlorine dispensers. As such, repayment amounts are not guaranteed or certain as payment amounts are representative of future events that may or may not occur. Should events not occur, payment amounts may be zero. The terms of the first two loans are for 84 months and the term of the third is for 120 months. The loans carry no annual interest and are not collateralized.

As of December 31, 2015, the outstanding principal of the loans payable was \$2,599,950.

Estimated principal payments are due as follows:

<u>Year Ending December 31,</u>	
2016	\$ 20,000
2017	20,000
2018	114,435
2019	150,795
2020	150,795
2021 and Thereafter	<u>2,143,925</u>
	\$ <u>2,599,950</u>

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 leases expire in various years through 2020.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

7. LEASE COMMITMENTS (Continued)

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

Year Ending December 31,

2016	\$	86,802
2017		43,798
2018		26,754
2019		24,507
2020		<u>21,266</u>
	\$	<u>203,127</u>

Occupancy costs for the years ended December 31, 2015 and 2014 were \$451,816 and 108,871, respectively.

8. CONTINGENCY

Evidence Action receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning in fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, Evidence Action may potentially have to refund any amount received in excess of allowable costs and such amounts could be significant.

9. FAIR VALUE MEASUREMENT

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 Statement 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.

EVIDENCE ACTION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

9. FAIR VALUE MEASUREMENT (Continued)

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, 2015.

Mutual funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, Evidence Action's investments as of December 31, 2015:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ <u>1,500,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,500,000</u>

10. RESTATEMENT OF 2014 AMOUNTS

The 2014 financial statements have been retroactively restated to reflect the allocation of management and general expenses to program services. The effect of the allocation resulted in an increase of \$836,819 in program expenses and unrestricted net assets and a corresponding decrease in the same amount in supporting services expenses and temporarily restricted net assets. The results of this restatement had no effect on the previously reported total revenue, total expenses, or change in net assets.

11. SUBSEQUENT EVENTS

In preparing these financial statements, Evidence Action has evaluated events and transactions for potential recognition or disclosure through December 29, 2016, the date the financial statements were issued.