

NEW INCENTIVES - ALL BABIES ARE EQUAL INITIATIVE

Audited Consolidated Financial Statements

December 31, 2018



**All Babies
Are Equal**

New Incentives and Subsidiary

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Independent Auditor's Report

To the Board of Directors
New Incentives

We have audited the accompanying consolidated financial statements of New Incentives and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Incentives and Subsidiary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Los Angeles, California
November 8, 2019

New Incentives and Subsidiary
Consolidated Statement of Financial Position
December 31, 2018

Assets

Cash	\$ 4,676,783
Accounts receivable	2,273
Prepaid expenses	<u>71,195</u>
Total	<u>\$ 4,750,251</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	<u>\$ 90,528</u>
Total current liabilities	90,528
Net assets	
Without donor restrictions	<u>4,659,723</u>
Total	<u>\$ 4,750,251</u>

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2018

Support	
Foundation grants	\$ 253,500
Individual donations and other income	<u>27,391</u>
Total support	<u>280,891</u>
Expenses	
Program services	1,864,154
Management and general	101,307
Fundraising	<u>15,518</u>
Total expenses	<u>1,980,979</u>
Foreign currency translation adjustment	<u>958</u>
Change in net assets	(1,699,130)
Net assets, beginning	<u>6,358,853</u>
Net assets, end	<u>\$ 4,659,723</u>

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2018

	Program services	Management and general	Fundraising	Total
Conditional cash transfers	\$ 631,503	\$ -	\$ -	\$ 631,503
Salaries, benefits, and payroll taxes	443,716	60,839	15,267	519,822
Travel and field transportation	367,502	483	251	368,236
Communication and technology	67,444	2,487	-	69,931
Accessories	28,802	-	-	28,802
Office expenses	45,069	4,459	-	49,528
Professional fees	9,098	32,955	-	42,053
Miscellaneous	15,415	84	-	15,499
Insurance	5,137	-	-	5,137
Consultants	155,117	-	-	155,117
Stakeholder relations	43,803	-	-	43,803
Research	22,874	-	-	22,874
Field supplies	28,674	-	-	28,674
	<u>\$ 1,864,154</u>	<u>\$ 101,307</u>	<u>\$ 15,518</u>	<u>\$ 1,980,979</u>
Total				

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Cash Flows For the Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ (1,699,130)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Changes in operating assets and liabilities	
Accounts receivable	(2,273)
Prepaid expenses	(1,897)
Accounts payable	<u>36,932</u>
Net cash used in operating activities	<u>(1,666,368)</u>
Net decrease in cash	(1,666,368)
Cash, beginning	<u>6,343,151</u>
Cash, end	<u><u>\$ 4,676,783</u></u>

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Notes to Consolidated Financial Statements December 31, 2018

Note 1 - Business and summary of significant accounting policies

Business

Formed in California in April 2011, New Incentives and subsidiary (the "Organization") operates a program where low-income mothers are given cash transfers for immunizing their infants. This is known as Conditional Cash Transfers ("CCTs"). CCTs are one of the most evidence-based activities in international development. Through its subsidiary All Babies Are Equal Initiative, the Organization operates a conditional cash transfer program in Northern Nigeria, a region with one of the lowest immunization rates worldwide. The Organization focuses on Katsina State, Zamfara State and Jigawa State where less than 6% of infants are fully vaccinated. Many program recipients live below the poverty line and earn less than \$1 a day. Vaccine preventable diseases account for approximately 22% of child deaths in Nigeria. This means that the death of over 200,000 Nigerian children could have been prevented through immunizations. By providing conditional cash transfers to parents and infants, New Incentives strives to protect communities against deadly diseases and reduce poverty with a highly cost-effective intervention.

Nature of activities

Program services

Includes costs necessary for verifying cash transfer conditions, delivering CCTs, and continued success of the program mission.

General and administrative

Includes the functions necessary to support the programs; ensure an adequate working environment; provide coordination of New Incentives' program strategy; secure proper administrative functioning of the management and Board of Directors; and manage the financial and budgetary responsibilities of New Incentives.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of New Incentives and its subsidiary, All Babies Are Equal Initiative. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.

New Incentives and Subsidiary

Notes to Consolidated Financial Statements December 31, 2018

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2018, the Organization does not have any net assets with donor restrictions.

Contributions

Contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as contributions with donor restrictions perpetual. Contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promissory, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising activities based on time spent and usage of goods and services.

Income taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Organization has no unrecognized tax benefits at December 31, 2018. The Organization's federal and state information returns prior to 2015 and 2014, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization recognizes interest and penalties associated with tax matters, if applicable, as part of management and general expense and includes accrued interest and penalties with accounts payable in the consolidated statement of financial position.

All Babies Are Equal Initiative is an association with incorporated trustees registered under Nigerian law with the Corporate Affairs Commission and is subject to the laws and regulations of Nigeria.

New Incentives and Subsidiary

Notes to Consolidated Financial Statements December 31, 2018

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of new accounting pronouncement

For the year ended December 31, 2018, the Organization has adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Subsequent events

The Organization evaluated the impact of subsequent events through November 8, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. At December 31, 2018, the Organization had cash of \$4,676,783 available to meet operating needs and commitments over the next 12 months.

Note 3 - Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

For the year ended December 31, 2018, 89% of contributions came from one grantor.

Note 4 - Cumulative translation adjustment

Translation adjustments for 2018 consist of foreign currency translation adjustments associated with All Babies Are Equal Initiative. Changes in the cumulative translation adjustments are reported in the consolidated statement of activities and changes in net assets. The changes in the cumulative translation adjustments for the year ended December 31, 2018, is as follows:

Balance at beginning of year	\$	(34,540)
Foreign currency translation adjustment		<u>958</u>
Balance at end of year	\$	<u><u>(33,582)</u></u>



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