NEW INCENTIVES - ALL BABIES ARE EQUAL INITIATIVE

Audited Consolidated Financial Statements

December 31, 2017

New Incentives | All Babies Are Equal

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BPM

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Incentives

We have audited the accompanying consolidated financial statements of New Incentives and its Subsidiary, All Babies Are Equal Initiative ("New Incentives"), which comprise the consolidated statement of financial position as of December 31, 2017, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 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 auditors' 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, 2017, and the changes 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.

BPM LLP

San Francisco, California
March 5, 2019

New Incentives and Subsidiary

Consolidated Statement of Financial Position

As of December 31, 2017

ASSETS

Cash	$ 6,343,151
Prepaid expenses	69,298
Total assets	$ 6,412,449

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 53,596
Total liabilities	53,596
Unrestricted net assets	6,358,853
Total liabilities and net assets	$ 6,412,449

The accompanying notes are an integral part of these consolidated financial statements.

New Incentives and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

For the year ended December 31, 2017

Support:	
Foundation grants	$ 6,782,305
Individual donations	20,673
Total support	6,802,978
Expenses:	
Program services	960,241
General and administrative	55,108
Fundraising	15,825
Total expenses	1,031,174
Change in net assets before foreign currency translation adjustment	5,771,804
Foreign currency translation adjustment	(33,553)
Change in net assets	5,738,251
Net assets - unrestricted, beginning of year	620,602
Net assets - unrestricted, end of year	$ 6,358,853

The accompanying notes are an integral part of these consolidated financial statements.

New Incentives and Subsidiary

Consolidated Statement of Functional Expenses

For the year ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Conditional cash transfers	$ 411,345	$ -	$ -	$ 411,345
Salaries, benefits, and payroll taxes	229,521	46,818	14,273	290,612
Travel and field transportation	149,000	443	1,303	150,746
Program technology materials	37,079	1,783	125	38,987
Equipment	33,005	693	-	33,698
Office expenses	32,468	357	78	32,903
Miscellaneous	18,479	5,014	46	23,539
Consultants	23,355	-	-	23,355
Research	15,500	-	-	15,500
Field supplies	10,489	-	-	10,489
Total	$ 960,241	$ 55,108	$ 15,825	$ 1,031,174

The accompanying notes are an integral part of these consolidated financial statements.

NEW INCENTIVES AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

Cash flows from operating activities:	
Change in net assets:	$ 5,771,804
Changes in:	
Prepaid expenses	(60,417)
Accounts payable	30,454
Net cash provided by operating activities	5,741,841
Effect of exchange rates on cash	(35,199)
Net increase in cash	5,706,642
Cash, beginning of year	636,509
Cash, end of year	$ 6,343,151

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Nature of Activities

Organization

Formed in California in April 2011, New Incentives operates a program where low-income mothers are given cash transfers for immunizing their infants. This is known as Conditional Cash Transfers (CCTs). Conditional cash transfers are one the most evidence-based activities in international development. Through its subsidiary All Babies Are Equal Initiative, New Incentives 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.

The following supporting services are included in the accompanying financial statements:

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.

2. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

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 All Babies Are Equal Initiative. The organizations have common control since some officers of New Incentives' Board of Directors sit on All Babies Are Equal Initiative's Board of Trustees. The usual condition for a controlling financial interest is ownership by one reporting entity of more than 50% of the outstanding voting shares of another entity. There is also an element of economic interest since All Babies Are Equal Initiative holds significant resources that must be used only for purposes of New Incentives. All material intercompany transactions and balances have been eliminated.

Continued

2. Summary of Significant Accounting Policies, continued

Basis of Consolidation and Presentation, continued

Accounting principles generally accepted in the United States of America require that New Incentives present information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted

Unrestricted net assets result from support and revenue received without donor stipulations.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are limited in use or time in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of New Incentives according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted net assets. As of December 31, 2017, and for the year then ended, New Incentives did not have any temporarily restricted net assets.

Permanently Restricted

Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. As of December 31, 2017, and for the year then ended, New Incentives did not have any permanently restricted net assets.

Cash

Cash consists of all cash on hand maintained at banking institutions and petty cash. New Incentives considers cash all highly liquid investments with original maturities of three months or less.

Contributions Receivable

Contributions receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. Contributions receivable that extend beyond one year are discounted to reflect their net present value at the date of contribution. As of December 31, 2017, New Incentives did not have any contributions receivable.

Property and Equipment

Additions of property and equipment are capitalized if the cost is $3,000 or greater and the useful life is in excess of one year. Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment, which is generally 3–5 years. As of December 31, 2017, New Incentives did not have any capitalized property or equipment.

Continued

2. Summary of Significant Accounting Policies, continued

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to New Incentives that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. For the year ended December 31, 2017, there were no temporarily restricted net assets or releases. Conditional promises to give are excluded from revenue and support until the conditions are substantially met. As of December 31, 2017, New Incentives did not have any conditional promises to give.

Donated Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by New Incentives. Therefore, donated labor consisting of volunteer labor is not recognized as contribution revenue in the consolidated financial statements unless such labor is ordinarily purchased and of a specialized nature. New Incentives did not receive any donated goods or services during the year ended December 31, 2017.

Functional Allocation of Expenses

Expenses are allocated among program services, general and administrative, and fundraising classifications based on management's estimates of employees' time spent by function and usage of goods and services.

Income Taxes

The Internal Revenue Service has determined that New Incentives is exempt from federal income under the provisions of Sections 501(c)(3) of the Internal Revenue Code. The Franchise Tax Board has determined that New Incentives is exempt from state income taxes under and 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not related to its tax-exempt purpose may be subject to taxation as unrelated business income.

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.

Use of Estimates

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

Continued

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the requirements in Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition*, and most industry-specific guidance. This ASU is based on the principle that revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services once the transfer of goods or services to customers takes place. The new guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2018. New Incentives is currently evaluating the impact of adoption on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern* (Subtopic 205-40). This defines management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations in the financial statement footnotes. For nonpublic entities, the ASU is effective for annual reporting periods ending after December 15, 2016, with early adoption permitted. New Incentives has adopted this standard during 2017.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This project includes updates that improve the usefulness of financial statements or reduce complexities for preparers. Some of the updates include requiring all nonprofits to present expenses by function and nature; replacing traditional three classes of net assets with only two classes (those with donor-imposed restrictions and those without); reaffirmation of existing methods of presenting operating cash flows. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. New Incentives is currently evaluating the impact of adoption on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The accounting for contributions has been modified to make it more clear in distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities in which the entity serves as the resource recipient, the ASU is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. New Incentives is currently evaluating the impact of adoption on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The standard will require all lessees to recognize the rights and obligations under the lease as assets and liabilities on the balance sheet, regardless of whether the lease is a capital or operating lease. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. New Incentives is currently evaluating the impact of adoption on its consolidated financial statements.

Continued

3. Concentrations

Cash

New Incentives places its cash in bank accounts with reputable financial institutions to minimize credit risk, however, balances may periodically exceed deposit insurance limits. New Incentives has not experienced any such losses in such accounts.

Contributions

For the year ended December 31, 2017, 99% of contributions came from two grantors, who represented 87% and 12%, respectively, of total support.

4. Cumulative Translation Adjustment

Translation adjustments for 2017 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, 2017, is as follows:

Balance at beginning of year	$	(987)
Foreign currency translation adjustments		(33,553)
Balance at end of year	$	(34,540)

5. Subsequent Events

New Incentives has evaluated subsequent events for recognition and disclosure through March 5, 2019, the date these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that requires recognition or disclosure in such consolidated financial statements.

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