

**Impact Network International, Inc.**

Financial Statements

December 31, 2022 and 2021

## **Independent Auditors' Report**

**Board of Directors**  
**Impact Network International, Inc.**

### ***Opinion***

We have audited the accompanying financial statements of Impact Network International, Inc. ("Impact Network") which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Impact Network as of December 31, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Impact Network and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Impact Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Impact Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Impact Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*PKF O'Connor Davies, LLP*

December 14, 2023

## Impact Network International, Inc.

### Statements of Financial Position

	December 31	
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 397,876	\$ 296,440
Pledges and other receivables	67,495	99,528
Prepaid expenses and other assets	8,961	34,202
Security deposits	<u>3,600</u>	<u>3,600</u>
Total Assets	<u>\$ 477,932</u>	<u>\$ 433,770</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued expenses	\$ 23,385	\$ 22,560
Refundable advances	<u>124,257</u>	<u>4,336</u>
Total Liabilities	<u>147,642</u>	<u>26,896</u>
Net Assets		
Without donor restrictions	317,525	381,236
With donor restrictions	<u>12,765</u>	<u>25,638</u>
Total Net Assets	<u>330,290</u>	<u>406,874</u>
Total Liabilities and Net Assets	<u>\$ 477,932</u>	<u>\$ 433,770</u>

See notes to financial statements

## Impact Network International, Inc.

### Statements of Activities

	Year Ended December 31					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Contributions	\$ 156,550	\$ -	\$ 156,550	\$ 181,804	\$ -	\$ 181,804
Grants	644,469	34,560	679,029	549,417	119,518	668,935
Special events, net of direct costs of \$58,845 and \$50,003	106,589	-	106,589	118,537	-	118,537
In - kind donations, net (Auction)	44,558	-	44,558	58,372	-	58,372
Net assets released from restrictions	47,433	(47,433)	-	131,703	(131,703)	-
Total Revenue and Other Support	<u>999,599</u>	<u>(12,873)</u>	<u>986,726</u>	<u>1,039,833</u>	<u>(12,185)</u>	<u>1,027,648</u>
<b>EXPENSES</b>						
Program services	916,313	-	916,313	760,236	-	760,236
Management and general	81,808	-	81,808	75,299	-	75,299
Fundraising	65,189	-	65,189	67,360	-	67,360
Total Expenses	<u>1,063,310</u>	<u>-</u>	<u>1,063,310</u>	<u>902,895</u>	<u>-</u>	<u>902,895</u>
Change in Net Assets	(63,711)	(12,873)	(76,584)	136,938	(12,185)	124,753
<b>NET ASSETS</b>						
Beginning of year	<u>381,236</u>	<u>25,638</u>	<u>406,874</u>	<u>244,298</u>	<u>37,823</u>	<u>282,121</u>
End of year	<u>\$ 317,525</u>	<u>\$ 12,765</u>	<u>\$ 330,290</u>	<u>\$ 381,236</u>	<u>\$ 25,638</u>	<u>\$ 406,874</u>

See notes to financial statements

## Impact Network International, Inc.

### Statements of Functional Expenses

	Year Ended December 31							
	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 698,244	\$ -	\$ -	\$ 698,244	\$ 583,820	\$ -	\$ -	\$ 583,820
Compensation and fringe benefits	185,116	23,809	59,428	268,353	151,566	35,183	62,493	249,242
Professional fees	-	24,825	-	24,825	-	20,600	-	20,600
Advertising and promotion	-	1,347	-	1,347	-	565	-	565
Office expenses	543	487	361	1,391	2,762	344	48	3,154
Occupancy	14,040	2,160	5,400	21,600	12,025	1,850	4,625	18,500
Travel and transportation	18,370	-	-	18,370	9,955	-	175	10,130
Insurance	-	7,391	-	7,391	-	6,294	-	6,294
Venue	-	-	34,410	34,410	-	-	34,824	34,824
Food and beverage	-	-	1,761	1,761	-	-	579	579
Entertainment	-	-	22,674	22,674	-	-	14,600	14,600
Other fees	-	21,789	-	21,789	108	10,463	19	10,590
	916,313	81,808	124,034	1,122,155	760,236	75,299	117,363	952,898
Less direct costs of donor benefits	-	-	(58,845)	(58,845)	-	-	(50,003)	(50,003)
<b>Total Expenses</b>	<b>\$ 916,313</b>	<b>\$ 81,808</b>	<b>\$ 65,189</b>	<b>\$ 1,063,310</b>	<b>\$ 760,236</b>	<b>\$ 75,299</b>	<b>\$ 67,360</b>	<b>\$ 902,895</b>

See notes to financial statements

## Impact Network International, Inc.

### Statements of Cash Flows

	Year Ended December 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (76,584)	\$ 124,753
Adjustments to reconcile change in net assets to net cash from operating activities		
Changes in operating assets and liabilities		
Prepaid expenses and other assets	25,241	(9,259)
Security deposits	-	(1,220)
Pledges and other receivables	32,033	(94,080)
Accrued expenses	825	4,980
Refundable advances	<u>119,921</u>	<u>(63,067)</u>
Net Cash from Operating Activities	101,436	(37,893)
<b>CASH</b>		
Beginning of year	<u>296,440</u>	<u>334,333</u>
End of year	<u>\$ 397,876</u>	<u>\$ 296,440</u>

See notes to financial statements

## **Impact Network International, Inc.**

Notes to Financial Statements  
December 31, 2022 and 2021

### **1. Organization and Tax Status**

Impact Network International, Inc. ("Impact Network") is a not-for-profit organization incorporated on October 26, 2009 in New York State. Impact Network was founded to promote cultural advancement to vulnerable communities in developing countries around the world, for example, by facilitating the provision of education services in rural Africa. Most schools built by the government in such regions lack basic supplies and skilled teachers. Impact Network has piloted the first eSchools in rural Zambia. This holistic solution delivers not just access, but quality education. Funding is derived mainly from foundation grants.

#### ***Income Taxes***

Impact Network is a nonprofit publicly supported organization as defined under Section 509(a)(1) of the Internal Revenue Code (the "Code") and, as such, is exempt from federal income taxes under Section 501(c)(3) of the Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements. Impact Network is subject to taxes on unrelated business income, if any.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP)

#### ***Change in Accounting Policies***

##### ***Leases***

Impact Network adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, using the effective date method with January 1, 2022, as the date of initial adoption. Impact Network elected all practical expedients available under the new guidance. The adoption of Topic 842 did not result in a material change to the financial statements for the years ended December 31, 2022 and 2021.

##### ***Contributed Nonfinancial Assets***

In September 2020, FASB issued Accounting Standards Update 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) ("ASU 2020-07"), which is effective for fiscal years beginning after June 15, 2021, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. ASU 2020-07 requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Impact Network adopted and implemented this pronouncement on January 1, 2022.



## Impact Network International, Inc.

Notes to Financial Statements  
December 31, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Change in Accounting Policies (continued)***

##### *Contributed Nonfinancial Assets (continued)*

The adoption of ASU 2020-07 did not result in a material change to the financial statements for the years ended December 31, 2022 and 2021.

#### ***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

#### ***Presentation of Net Assets***

Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions represent resources that are not subject to donor-imposed restrictions.

Net assets with donor restrictions represent net assets subject to donor-imposed restrictions that expire by the passage of time or by actions of Impact Network. When a donor's time-restriction expires or a purpose-restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as "net assets released from restrictions."

#### ***Concentration of Credit and Market Risk***

Financial instruments that potentially subject Impact Network to concentrations of credit and market risk consist principally of pledges and other receivables, which are expected to be collected in the normal course of business, and cash on deposit with financial institutions. Cash deposits held at financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"), and at times cash balances may exceed the FDIC limit. As of December 31, 2022 and 2021, Impact Network's uninsured cash balances on deposits totaled approximately \$150,000 and \$47,000.

During 2022 and 2021, Impact Network had one major contributor that accounted for approximately 65% and 51% of Impact Network's total revenue and other support. Due to the concentration of revenue and support, there is a risk that Impact Network would not be able to continue its current service level if this source and amount of contributions were lost. Management believes that Impact Network is not exposed to any significant concentration risk in the near term.

## **Impact Network International, Inc.**

Notes to Financial Statements  
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### **2. Summary of Significant Accounting Policies (continued)**

#### ***Concentration of Credit and Market Risk (continued)***

Currently, all of Impact Network's program activity, facilitated through its grant making, is concentrated in rural areas of Zambia and south-central Africa.

#### ***Pledges Receivable***

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their present value using a risk adjusted rate. Conditional promises to give are not included as support until conditions are substantially met. The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections and in consideration of business and economic conditions. Management has concluded that no allowance is needed at December 31, 2022 and 2021.

#### ***Revenue Recognition***

Revenue from contributions is recorded upon receipt of cash or unconditional pledges. Conditional grants are recognized as costs are incurred. Revenue from special events is recorded once the event takes place. Amounts are considered to be available for general use unless specifically restricted by donors.

Impact Network recognizes contributions of services if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized. Impact Network receives significant amounts of volunteer services which do not meet the criteria for recognition in the financial statements.

#### ***Refundable Advances***

Refundable advances consist of funds received from conditional grants in excess of costs incurred. Refundable advances as of January 1, 2021 was \$67,403.

#### ***Advertising and Promotion***

Impact Network expenses advertising and promotion costs the first time the advertising occurs. Advertising and promotion costs were \$1,347 and \$565 for the years ended December 31, 2022 and 2021.

## **Impact Network International, Inc.**

Notes to Financial Statements  
December 31, 2022 and 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Functional Expense Allocations***

Impact Network allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly; these expenses include grants, professional fees and insurance. Costs that are common to several functions are allocated among the program and supporting services based on the allocation of staff time, include compensation and fringe benefits, occupancy and travel and transportation expenses.

#### ***Accounting for Uncertainty in Income Taxes***

Impact Network recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that Impact Network had no uncertain tax positions that would require financial statement recognition or disclosure. Impact Network is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to December 31, 2019.

#### ***Reclassifications***

Certain items in the 2021 financial statements were reclassified to conform to the 2022 financial statements.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is December 14, 2023.

### **3. Research Grant**

In 2017, Impact Network entered into a cooperation agreement to expand their education programs to additional districts. Funding under this contract is \$2,225,000 in aggregate for a four-year period ending March 22, 2021. The agreement had an initial performance period from March 23, 2017 to February 28, 2018, with an option to exercise three additional years through March 22, 2021, which have all been exercised.

In April 2021, the cooperation agreement was modified to provide additional funding of \$1,500,000 through December 31, 2024.

Based on the specifications, management has determined this agreement to be a cost reimbursement contract recognized as a grant, with grant revenue being recognized as costs are incurred, and funds received in excess of costs incurred recorded as refundable advances. For the years ended December 31, 2022 and 2021, Impact Network recognized \$644,469 and \$519,677 of grant revenue under this agreement. At December 31, 2022 and 2021, Impact Network recorded refundable advances in the amount of \$124,257 and \$4,336 relating to this contract.

## Impact Network International, Inc.

Notes to Financial Statements  
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### 4. Paycheck Protection Program Loan

In February 2021, Impact Network received loan proceeds of \$29,740 from the Small Business Administration (“SBA”) under the Paycheck Protection Program (the “PPP”). The loan has an interest rate of 1.0% per annum, with no payments due until June 2022, and scheduled to mature in February 2026. If certain defined conditions are met, the loan may be forgiven.

In August 2021, the defined conditions were met, and as a result, the SBA notified Impact Network that the PPP loan was forgiven. Impact Network recognized the full amount of the proceeds from the PPP loan as a federal grant, which is included in grants in the 2021 statement of activities.

### 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Setting Students Up for Success	<u>\$ 12,765</u>	<u>\$ 25,638</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events as follows during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Setting Students Up for Success	\$ 47,433	\$ 50,213
Empower Project	-	56,490
Improving School Readiness and Literacy	-	25,000
	<u>\$ 47,433</u>	<u>\$ 131,703</u>

### 6. Lease Commitments

In October 2020, Impact Network entered into a license agreement which provides for administrative and program offices in Brooklyn, New York, which also includes other office services such as internet accessibility, use of common office facilities, office equipment and utilities at a monthly license fee of \$1,200 through September 2021. In June 2021, this agreement was renewed through December 2022 at a monthly license fee of \$1,800. In December 2022, this agreement was renewed through December 2023 at a monthly license fee of \$1,850.

Rent expense, included in occupancy expenses, was \$21,600 and \$18,500 for the years ended December 31, 2022 and 2021.

## Impact Network International, Inc.

Notes to Financial Statements  
December 31, 2022 and 2021

### 7. In – kind Donations, net (Auction)

In - kind donations (auction) represent net proceeds of \$44,558 and \$58,372, from a variety of donated goods, for the years ended December 31, 2022 and 2021. These donated goods were auctioned off throughout the respective years, had no donor restrictions and were valued at estimated wholesale prices of identical or similar products prior to sale. Related expenses are included in fund raising.

### 8. Liquidity and Availability of Financial Assets

Impact Network's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 397,876	\$ 296,440
Pledges receivable - due within one year	<u>67,495</u>	<u>99,528</u>
Total Financial Assets	465,371	395,968
Less: Net assets with donor restrictions	<u>(12,765)</u>	<u>(25,638)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 452,606</u>	<u>\$ 370,330</u>

As part of Impact Network's liquidity management strategy, Impact Network structures its financial assets to be substantially held in cash to be available as its general expenditures, liabilities and other obligations come due. General expenditures over the next twelve months are financed through secured grant donations, donor contributions and special event revenue.

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