

**Impact Network International, Inc.**

Financial Statements

December 31, 2020 and 2019

## Independent Auditors' Report

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

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 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 auditors' 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 Impact Network International, Inc. as of December 31, 2020 and 2019, 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.

*PKF O'Connor Davies, LLP*

October 1, 2021

## Impact Network International, Inc.

### Statements of Financial Position

	December 31	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 334,333	\$ 405,229
Pledges receivable	5,448	26,674
Prepaid expenses	24,943	4,356
Security deposits	<u>2,380</u>	<u>3,180</u>
 Total Assets	 <u>\$ 367,104</u>	 <u>\$ 439,439</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued expenses	\$ 17,580	\$ 19,147
Deferred revenue	<u>67,403</u>	<u>63,813</u>
Total Liabilities	<u>84,983</u>	<u>82,960</u>
 Net Assets		
Without donor restrictions	244,298	356,479
With donor restrictions	<u>37,823</u>	<u>-</u>
Total Net Assets	<u>282,121</u>	<u>356,479</u>
 Total Liabilities and Net Assets	 <u>\$ 367,104</u>	 <u>\$ 439,439</u>

See notes to financial statements

## Impact Network International, Inc.

### Statements of Activities

	Year Ended December 31			
	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 103,518	\$ -	\$ 103,518	\$ 102,132
Grants	444,384	51,640	496,024	506,887
Special events, net of direct costs of \$5,620 and \$45,606	15,624	-	15,624	156,752
Services (in-kind)	13,297	-	13,297	18,923
Net assets released from restrictions	13,817	(13,817)	-	-
Total Revenue and Other Support	590,640	37,823	628,463	784,694
<b>EXPENSES</b>				
Program services	567,909	-	567,909	662,022
Management and general	75,856	-	75,856	90,447
Fundraising	59,056	-	59,056	58,375
Total Expenses	702,821	-	702,821	810,844
Change in Net Assets	(112,181)	37,823	(74,358)	(26,150)
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Beginning of year	356,479	-	356,479	382,629
End of year	\$ 244,298	\$ 37,823	\$ 282,121	\$ 356,479

See notes to financial statements

**Impact Network International, Inc.**

Statements of Functional Expenses

	Year Ended December 31							
	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 378,772	\$ -	\$ -	\$ 378,772	\$ 464,411	\$ -	\$ -	\$ 464,411
Compensation and fringe benefits	166,221	22,660	53,862	242,743	162,035	23,023	54,077	239,135
Professional fees	-	23,800	-	23,800	-	21,270	-	21,270
Advertising and promotion	1,193	96	1,081	2,370	1,888	48	1,825	3,761
Office expenses	62	584	113	759	368	-	2,277	2,645
Occupancy	12,000	2,000	4,000	18,000	9,960	9,040	-	19,000
Travel and transportation	9,243	149	-	9,392	23,052	858	-	23,910
Insurance	-	6,830	-	6,830	-	2,250	-	2,250
Venue	-	-	-	-	-	-	27,781	27,781
Food and beverage	-	-	4,400	4,400	-	-	3,390	3,390
Entertainment	-	-	1,220	1,220	-	-	14,435	14,435
Services (in-kind)	-	13,297	-	13,297	-	18,923	-	18,923
Other fees	418	6,440	-	6,858	308	15,035	196	15,539
	567,909	75,856	64,676	708,441	662,022	90,447	103,981	856,450
Less direct costs of donor benefits	-	-	(5,620)	(5,620)	-	-	(45,606)	(45,606)
Total Expenses	\$ 567,909	\$ 75,856	\$ 59,056	\$ 702,821	\$ 662,022	\$ 90,447	\$ 58,375	\$ 810,844

See notes to financial statements

**Impact Network International, Inc.**

Statements of Cash Flows

	Year Ended December 31	
	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (74,358)	\$ (26,150)
Adjustments to reconcile change in net assets to net cash from operating activities		
Changes in operating assets and liabilities		
Prepaid expenses	(20,587)	(4,356)
Security deposits	800	-
Pledges receivable	21,226	5,676
Accrued expenses	(1,567)	(6,699)
Deferred revenue	<u>3,590</u>	<u>33,465</u>
Net Cash from Operating Activities	(70,896)	1,936
<b>CASH</b>		
Beginning of year	<u>405,229</u>	<u>403,293</u>
End of year	<u>\$ 334,333</u>	<u>\$ 405,229</u>

See notes to financial statements

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

Notes to Financial Statements  
December 31, 2020 and 2019

### **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)

#### ***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.



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

Notes to Financial Statements  
December 31, 2020 and 2019

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

#### ***Presentation of Net Assets (continued)***

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 Risk***

Impact Network maintains cash balances in one financial institution which, at times, may exceed the Federal Deposit Insurance Corporation coverage and subjects Impact Network to a concentration risk. Impact Network manages this risk by placing its cash in high-quality financial institutions.

Impact Network monitors this risk on a regular basis and has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk associated with such accounts.

During 2020 and 2019, Impact Network had one major contributor that accounted for approximately 67% and 63% 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.

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, 2020 and 2019.

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

Notes to Financial Statements  
December 31, 2020 and 2019

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

#### ***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. For the years ended December 31, 2020 and 2019, Impact Network received donated legal services in the amount of \$13,297 and \$18,923. In addition, Impact Network receives significant amounts of volunteer services which do not meet the criteria for recognition in the financial statements.

#### ***Deferred Revenue***

Deferred revenue consists of funds received from conditional grants in excess of costs incurred.

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

Impact Network expenses advertising and promotion costs the first time the advertising occurs. Advertising and promotion costs were \$2,370 and \$3,761 for the years ended December 31, 2020 and 2019.

#### ***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, 2017.

## Impact Network International, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

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

#### ***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 October 1, 2021.

### 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 deferred revenue. For the years ended December 31, 2020 and 2019, Impact Network recognized \$421,030 and \$449,395 of grant revenue under this agreement. At December 31, 2020 and 2019, Impact Network recorded deferred revenue in the amount of \$67,403 and \$63,813 relating to this contract.

### 4. Paycheck Protection Program Loan

On April 19, 2020, Impact Network received loan proceeds of \$26,900 from the Small Business Administration ("SBA") under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. The loan has an interest rate of 1% per annum. If certain defined conditions are met, the loan may be forgiven.

In December 2020, the defined conditions were met, and as a result, the SBA notified Impact Network that the PPP loan was forgiven. Under requirements contained in ASU 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made," Impact Network recognized the full amount of the proceeds from the PPP loan as a federal grant, which is included in grants in the 2020 statement of activities.

In February 2021, Impact Network received a second PPP loan of \$29,740 from the SBA. This loan also has an interest rate of 1.0% per annum, with no payments due until June 2022, and is scheduled to mature in February 2026.

## Impact Network International, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 4. Paycheck Protection Program Loan (*continued*)

If certain defined conditions are met, this loan may also be forgiven by the SBA, otherwise Impact Network will be required to repay this loan in full.

### 5. Net Assets with Donor Restrictions

Net assets of \$13,817 were released from donor restrictions for the *Setting Students Up for Success* initiative during the year ended December 31, 2020. Net assets with donor restrictions of \$37,823 were available for this initiative as of December 31, 2020.

### 6. Lease Commitments

On July 1, 2017 Impact Network entered into a lease agreement through March 2019 for its administrative and program offices. In March 2019, Impact Network entered into a license agreement which provided for administrative and program offices at a new location in Brooklyn, New York, which also includes other office services such as internet accessibility, use of common office facilities, office equipment and utilities.

The term of this agreement was through September 2020 at a monthly license fee of \$1,600. In October 2020, Impact Network entered into a new license agreement at its Brooklyn, New York location at a monthly license fee of \$1,200 through September 2021.

Rent expense, included in occupancy expenses, was \$18,000 and \$19,000 for the years ended December 31, 2020 and 2019.

### 7. 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:

	2020	2019
Cash	\$ 334,333	\$ 405,229
Pledges receivable - due within one year	5,448	26,674
Total Financial assets	339,781	431,903
Less: Net assets with donor restrictions	(37,823)	-
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 301,958</u>	<u>\$ 431,903</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.

**Impact Network International, Inc.**

Notes to Financial Statements  
December 31, 2018

**8. COVID-19**

Due to the impact of the Coronavirus disease (“COVID-19”), Impact Network was unable to have an in person fund-raising event during 2020; however Impact Network was able to host a virtual special event.

COVID-19 may continue to have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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