

Impact Network International, Inc.

Financial Statements

December 31, 2021 and 2020



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, 2021 and 2020, 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, 2021 and 2020, 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

August 24, 2022

Impact Network International, Inc.

Statements of Financial Position

	December 31	
	2021	2020
ASSETS		
Cash	\$ 296,440	\$ 334,333
Pledges receivable	99,528	5,448
Prepaid expenses and other assets	34,202	24,943
Security deposits	<u>3,600</u>	<u>2,380</u>
Total Assets	<u>\$ 433,770</u>	<u>\$ 367,104</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 22,560	\$ 17,580
Deferred revenue	<u>4,336</u>	<u>67,403</u>
Total Liabilities	<u>26,896</u>	<u>84,983</u>
Net Assets		
Without donor restrictions	381,236	244,298
With donor restrictions	<u>25,638</u>	<u>37,823</u>
Total Net Assets	<u>406,874</u>	<u>282,121</u>
Total Liabilities and Net Assets	<u>\$ 433,770</u>	<u>\$ 367,104</u>

See notes to financial statements

Impact Network International, Inc.

Statements of Activities

	Year Ended December 31					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Contributions	\$ 181,804	\$ -	\$ 181,804	\$ 103,518	\$ -	\$ 103,518
Grants	549,417	119,518	668,935	444,384	51,640	496,024
Special events, net of direct costs of \$50,003 and \$5,620	176,909	-	176,909	15,624	-	15,624
Services (in-kind)	-	-	-	13,297	-	13,297
Net assets released from restrictions	<u>131,703</u>	<u>(131,703)</u>	<u>-</u>	<u>13,817</u>	<u>(13,817)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,039,833</u>	<u>(12,185)</u>	<u>1,027,648</u>	<u>590,640</u>	<u>37,823</u>	<u>628,463</u>
EXPENSES						
Program services	760,332	-	760,332	567,909	-	567,909
Management and general	74,734	-	74,734	75,856	-	75,856
Fundraising	<u>67,829</u>	<u>-</u>	<u>67,829</u>	<u>59,056</u>	<u>-</u>	<u>59,056</u>
Total Expenses	<u>902,895</u>	<u>-</u>	<u>902,895</u>	<u>702,821</u>	<u>-</u>	<u>702,821</u>
Change in Net Assets	136,938	(12,185)	124,753	(112,181)	37,823	(74,358)
NET ASSETS						
Beginning of year	<u>244,298</u>	<u>37,823</u>	<u>282,121</u>	<u>356,479</u>	<u>-</u>	<u>356,479</u>
End 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>

See notes to financial statements

Impact Network International, Inc.

Statements of Functional Expenses

	Year Ended December 31							
	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 583,820	\$ -	\$ -	\$ 583,820	\$ 378,772	\$ -	\$ -	\$ 378,772
Compensation and fringe benefits	151,566	35,183	62,493	249,242	166,221	22,660	53,862	242,743
Professional fees	-	20,600	-	20,600	-	23,800	-	23,800
Advertising and promotion	96	-	469	565	1,193	96	1,081	2,370
Office expenses	2,762	344	48	3,154	62	584	113	759
Occupancy	12,025	1,850	4,625	18,500	12,000	2,000	4,000	18,000
Travel and transportation	9,955	-	175	10,130	9,243	149	-	9,392
Insurance	-	6,294	-	6,294	-	6,830	-	6,830
Venue	-	-	34,824	34,824	-	-	-	-
Food and beverage	-	-	579	579	-	-	4,400	4,400
Entertainment	-	-	14,600	14,600	-	-	1,220	1,220
Services (in-kind)	-	-	-	-	-	13,297	-	13,297
Other fees	108	10,463	19	10,590	418	6,440	-	6,858
	<u>760,332</u>	<u>74,734</u>	<u>117,832</u>	<u>952,898</u>	<u>567,909</u>	<u>75,856</u>	<u>64,676</u>	<u>708,441</u>
Less direct costs of donor benefits	-	-	(50,003)	(50,003)	-	-	(5,620)	(5,620)
Total Expenses	<u>\$ 760,332</u>	<u>\$ 74,734</u>	<u>\$ 67,829</u>	<u>\$ 902,895</u>	<u>\$ 567,909</u>	<u>\$ 75,856</u>	<u>\$ 59,056</u>	<u>\$ 702,821</u>

See notes to financial statements

Impact Network International, Inc.

Statements of Cash Flows

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 124,753	\$ (74,358)
Adjustments to reconcile change in net assets to net cash from operating activities		
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(9,259)	(20,587)
Security deposits	(1,220)	800
Pledges receivable	(94,080)	21,226
Accrued expenses	4,980	(1,567)
Deferred revenue	<u>(63,067)</u>	<u>3,590</u>
Net Cash from Operating Activities	(37,893)	(70,896)
CASH		
Beginning of year	<u>334,333</u>	<u>405,229</u>
End of year	<u>\$ 296,440</u>	<u>\$ 334,333</u>

See notes to financial statements

Impact Network International, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020

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 2021 and 2020, Impact Network had one major contributor that accounted for approximately 51% and 67% 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, 2021 and 2020.

Impact Network International, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, Impact Network received donated legal services in the amount of \$-0- and \$13,297. 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 \$565 and \$2,370 for the years ended December 31, 2021 and 2020.

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, 2018.

Impact Network International, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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 August 24, 2022.

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, 2021 and 2020, Impact Network recognized \$519,677 and \$421,030 of grant revenue under this agreement. At December 31, 2021 and 2020, Impact Network recorded deferred revenue in the amount of \$4,336 and \$67,403 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, 2021 and 2020

4. Paycheck Protection Program Loan (*continued*)

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 this 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>2021</u>	<u>2020</u>
Setting Students Up for Success	<u>\$ 25,638</u>	<u>\$ 37,823</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>2021</u>	<u>2020</u>
Setting Students Up for Success	\$ 50,213	\$ 13,817
Empower Project	56,490	-
Improving School Readiness and Literacy	<u>25,000</u>	<u>-</u>
	<u>\$ 131,703</u>	<u>\$ 13,817</u>

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 license agreement at its Brooklyn, New York location 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.

Rent expense, included in occupancy expenses, was \$18,500 and \$18,000 for the years ended December 31, 2021 and 2020.

Impact Network International, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 296,440	\$ 334,333
Pledges receivable - due within one year	<u>99,528</u>	<u>5,448</u>
Total Financial assets	395,968	339,781
Less: Net assets with donor restrictions	<u>(25,638)</u>	<u>(37,823)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 370,330</u>	<u>\$ 301,958</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.

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

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