

AUDITED FINANCIAL STATEMENTS

EVIDENCE ACTION

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

EVIDENCE ACTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Evidence Action
Washington, D.C.

We have audited the accompanying financial statements of Evidence Action, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial activity of Evidence Action Kenya, Malawi and Uganda, whose statements reflect total assets constituting 4% and 12% as of December 31, 2016 and 2015, respectively, total revenues of 0% and 2%, respectively, and total expenses of 44% and 72%, respectively, for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for Evidence Action Kenya, Malawi and Uganda, are based solely on the reports of the other auditors. 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 audits 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 auditor's 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Evidence Action as of December 31, 2016 and 2015, 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.

Gelman Rosenberg & Freedman

September 28, 2017

EVIDENCE ACTION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 8,690,934	\$ 3,340,213
Cash held in foreign jurisdictions	<u>398,397</u>	<u>958,969</u>
Total cash and cash equivalents	9,089,331	4,299,182
Investments (Notes 2 and 9)	8,599,742	1,500,000
Contributions and grants receivable, net of allowance for doubtful accounts of \$0 in 2016 and \$163,091 in 2015 (Note 3)	1,291,056	2,394,778
Accounts receivable	416,356	477,734
Employee and other receivables	15,042	555
Prepaid expenses	243,695	267,310
Security deposits	<u>69,891</u>	<u>43,347</u>
Total current assets	<u>19,725,113</u>	<u>8,982,906</u>
FIXED ASSETS		
Furniture and equipment	160,993	65,756
Vehicles	<u>39,055</u>	<u>39,055</u>
	200,048	104,811
Less: Accumulated depreciation	<u>(58,569)</u>	<u>(23,099)</u>
Net fixed assets	<u>141,479</u>	<u>81,712</u>
OTHER ASSETS		
Contributions and grants receivable, net of current portion (Note 3)	<u>1,402,313</u>	<u>1,782,373</u>
Total other assets	<u>1,402,313</u>	<u>1,782,373</u>
TOTAL ASSETS	<u>\$ 21,268,905</u>	<u>\$ 10,846,991</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 6)	\$ 204,999	\$ 20,000
Accounts payable and accrued liabilities	<u>651,724</u>	<u>306,744</u>
Total current liabilities	<u>856,723</u>	<u>326,744</u>
LONG-TERM LIABILITIES		
Long-term debt (Note 6)	<u>3,074,950</u>	<u>2,579,950</u>
Total liabilities	<u>3,931,673</u>	<u>2,906,694</u>
NET ASSETS		
Unrestricted (deficit)	(3,679,405)	3,294,931
Temporarily restricted (Note 5)	<u>21,016,637</u>	<u>4,645,366</u>
Total net assets	<u>17,337,232</u>	<u>7,940,297</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,268,905</u>	<u>\$ 10,846,991</u>

See accompanying notes to financial statements.

EVIDENCE ACTION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ 994,288	\$ 23,500,720	\$ 24,495,008
Government contracts	-	-	-
Investment income (Note 2)	328,126	-	328,126
Contributed services and materials (Note 4)	164,292	-	164,292
Other revenue	298,036	-	298,036
Net assets released from donor restrictions (Note 5)	<u>7,129,449</u>	<u>(7,129,449)</u>	<u>-</u>
Total revenue and gains	<u>8,914,191</u>	<u>16,371,271</u>	<u>25,285,462</u>
EXPENSES			
Program Services:			
Deworm the World Initiative	7,649,423	-	7,649,423
Dispensars for Safe Water Program (Note 10)	4,728,297	-	4,728,297
Evidence Action Beta	<u>2,688,760</u>	<u>-</u>	<u>2,688,760</u>
Total program services	<u>15,066,480</u>	<u>-</u>	<u>15,066,480</u>
Supporting Services:			
Management and General	649,742	-	649,742
Fundraising	<u>172,305</u>	<u>-</u>	<u>172,305</u>
Total supporting services	<u>822,047</u>	<u>-</u>	<u>822,047</u>
Total expenses	<u>15,888,527</u>	<u>-</u>	<u>15,888,527</u>
Change in net assets	(6,974,336)	16,371,271	9,396,935
Net assets at beginning of year	<u>3,294,931</u>	<u>4,645,366</u>	<u>7,940,297</u>
NET (DEFICIT) ASSETS AT END OF YEAR	<u>\$ (3,679,405)</u>	<u>\$ 21,016,637</u>	<u>\$ 17,337,232</u>

EVIDENCE ACTION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ 2,685,659	\$ 3,594,750	\$ 6,280,409
Government contracts	-	1,069,356	1,069,356
Investment income (Note 2)	14,357	-	14,357
Contributed services and materials (Note 4)	20,532	-	20,532
Other revenue	473,523	-	473,523
Net assets released from donor restrictions (Note 5)	<u>9,883,964</u>	<u>(9,883,964)</u>	<u>-</u>
Total revenue and gains	<u>13,078,035</u>	<u>(5,219,858)</u>	<u>7,858,177</u>
EXPENSES			
Program Services:			
Deworm the World Initiative	5,168,671	-	5,168,671
Dispensars for Safe Water Program (Note 10)	6,194,830	-	6,194,830
Evidence Action Beta	<u>1,280,545</u>	<u>-</u>	<u>1,280,545</u>
Total program services	<u>12,644,046</u>	<u>-</u>	<u>12,644,046</u>
Supporting Services:			
Management and General	915,279	-	915,279
Fundraising	<u>60,654</u>	<u>-</u>	<u>60,654</u>
Total supporting services	<u>975,933</u>	<u>-</u>	<u>975,933</u>
Total expenses	<u>13,619,979</u>	<u>-</u>	<u>13,619,979</u>
Change in net assets	(541,944)	(5,219,858)	(5,761,802)
Net assets at beginning of year	<u>3,836,875</u>	<u>9,865,224</u>	<u>13,702,099</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,294,931</u>	<u>\$ 4,645,366</u>	<u>\$ 7,940,297</u>

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				Supporting Services			Total Expenses
	Deworm the World Initiative	Dispensers for Safe Water Program	Evidence Action Beta	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,071,502	\$ 1,314,344	\$ 706,777	\$ 3,092,623	\$ 1,095,536	\$ 107,479	\$ 1,203,015	\$ 4,295,638
Payroll taxes	33,269	15,686	37,066	86,021	69,759	7,436	77,195	163,216
Employee benefits	134,967	195,477	112,256	442,700	137,965	14,308	152,273	594,973
Contract services (Note 4)	2,796,675	360,490	379,003	3,536,168	1,052,785	17,730	1,070,515	4,606,683
Occupancy (Note 7)	66,957	208,751	56,448	332,156	181,667	2,408	184,075	516,231
Office expenses	190,864	418,101	97,708	706,673	67,200	792	67,992	774,665
Program management and material	1,223,685	1,161,875	265,946	2,651,506	1,455	-	1,455	2,652,961
Travel	362,092	387,719	108,169	857,980	92,821	2,510	95,331	953,311
Information technology	18,320	17,124	27,008	62,452	63,599	19,508	83,107	145,559
Insurance	10,453	9,193	3,260	22,906	7,818	95	7,913	30,819
Conferences and meetings	108,628	13,863	38,878	161,369	18,082	39	18,121	179,490
Grant awards	531,741	(49,849)	463,145	945,037	454	-	454	945,491
Other (Note 3)	6,334	(27,620)	923	(20,363)	14,383	-	14,383	(5,980)
Depreciation	-	3,897	-	3,897	31,573	-	31,573	35,470
Subtotal	6,555,487	4,029,051	2,296,587	12,881,125	2,835,097	172,305	3,007,402	15,888,527
Management and general expense allocation (Note 7)	1,093,936	699,246	392,173	2,185,355	(2,185,355)	-	(2,185,355)	-
TOTAL	\$ 7,649,423	\$ 4,728,297	\$ 2,688,760	\$ 15,066,480	\$ 649,742	\$ 172,305	\$ 822,047	\$ 15,888,527

See accompanying notes to financial statements.

EVIDENCE ACTION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services				Supporting Services			Total Expenses
	Deworm the World Initiative	Dispensers for Safe Water Program	Evidence Action Beta	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,024,101	\$ 1,432,031	\$ 539,412	\$ 2,995,544	\$ 800,738	\$ 37,056	\$ 837,794	\$ 3,833,338
Payroll taxes	85,397	53,464	82,521	221,382	56,887	-	56,887	278,269
Employee benefits	148,792	298,460	104,731	551,983	68,210	2,283	70,493	622,476
Contract services (Note 4)	594,462	46,518	99,789	740,769	162,300	12,205	174,505	915,274
Occupancy (Note 7)	67,560	264,010	40,342	371,912	79,904	-	79,904	451,816
Office expenses	157,391	500,585	40,346	698,322	44,429	1,083	45,512	743,834
Program management and material	563,923	1,830,779	23,427	2,418,129	-	-	-	2,418,129
Travel	266,818	805,589	111,494	1,183,901	120,962	4,141	125,103	1,309,004
Information technology	11,395	42,917	6,224	60,536	86,719	3,730	90,449	150,985
Insurance	685	9,989	488	11,162	4,740	-	4,740	15,902
Conferences and meetings	66,473	49,531	7,446	123,450	23,762	156	23,918	147,368
Grant awards	1,458,799	-	71,515	1,530,314	-	-	-	1,530,314
Other (Note 3)	64,862	181,359	8,667	254,888	930,114	-	930,114	1,185,002
Depreciation	-	-	-	-	18,268	-	18,268	18,268
Subtotal	4,510,658	5,515,232	1,136,402	11,162,292	2,397,033	60,654	2,457,687	13,619,979
Management and general expense allocation (Note 7)	658,013	679,598	144,143	1,481,754	(1,481,754)	-	(1,481,754)	-
TOTAL	\$ 5,168,671	\$ 6,194,830	\$ 1,280,545	\$ 12,644,046	\$ 915,279	\$ 60,654	\$ 975,933	\$ 13,619,979

See accompanying notes to financial statements.

EVIDENCE ACTION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 9,396,935	\$ (5,761,802)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	35,470	18,268
Net realized and unrealized gains on investments	(102,662)	(14,357)
Change in discount on long-term receivables	(80,713)	169,183
Change in allowance for doubtful accounts	(163,091)	163,091
Decrease (increase) in:		
Contributions and grants receivable	1,727,586	2,300,301
Accounts receivable	61,378	(223,111)
Employee and other receivables	(14,487)	18,663
Prepaid expenses	23,615	(37,009)
Security deposits	(26,544)	(30,225)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>344,980</u>	<u>(22,007)</u>
Net cash provided (used) by operating activities	<u>11,202,467</u>	<u>(3,419,005)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(95,237)	(83,071)
Purchases of investments	(7,033,003)	(1,534,615)
Proceeds from sale of investments	<u>35,923</u>	<u>48,972</u>
Net cash used in investing activities	<u>(7,092,317)</u>	<u>(1,568,714)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	699,999	1,800,000
Payments on long-term debt	<u>(20,000)</u>	<u>(132,450)</u>
Net cash provided by financing activities	<u>679,999</u>	<u>1,667,550</u>
Net increase (decrease) in cash and cash equivalents	4,790,149	(3,320,169)
Cash and cash equivalents at beginning of year	<u>4,299,182</u>	<u>7,619,351</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,089,331</u>	<u>\$ 4,299,182</u>

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Evidence Action is a 501(c)(3) non-profit organization, incorporated and headquartered in the District of Columbia. Evidence Action has assumed the management and growth responsibility of three programs that are currently making a difference in the lives of millions of people in Africa and Asia.

The following are the major programs of the Organization:

Deworm the World Initiative: Evidence Action's Deworm the World Initiative helps to translate evidence into widespread practice by advocating for school-based deworming to policymakers and providing technical assistance to launch, strengthen and sustain school-based deworming programs. Evidence Action works directly with governments to rapidly scale programs targeting all at-risk school-age children. Regular deworming results in improved education, health, and long-term well-being for treated children.

Dispensers for Safe Water Program: Chlorine dispensers are an innovative, low-cost approach proven to increase rates of household chlorination of drinking water in rural areas. Chlorine disinfects drinking water while protecting it from recontamination up to 72 hours. Evidence Action has continued to see high adoption rates of around 50% as we scale Dispensers for Safe Water in Kenya, Uganda and Malawi. Evidence Action is providing nearly five million people with access to safe water.

Evidence Action Beta: Evidence Action Beta identifies and pressure-tests evidence-based innovations that reduce the burden of poverty, and then designs and builds the most cost-effective programs for massive scale. Evidence Action Beta looks for promising interventions that have already been subjected to rigorous scientific trials, focusing on interventions that are pro-poor, have measurable impact, and have the potential to be cost-effectively scaled up to benefit millions of people.

Basis of presentation -

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States.

Cash and cash equivalents -

Evidence Action considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Evidence Action maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Foreign currency translation -

The U.S. Dollar is the functional currency for Evidence Action. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Foreign currency translation (continued) -

Gains and losses on translation of foreign currencies, which are not material, are recorded in the Statements of Activities and Changes in Net Assets.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses, less management fees, are included in investment income in the Statements of Activities and Changes in Net Assets.

Receivables -

Contributions and grants receivable are presented at estimated fair value. Contributions and grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Accretion of the discounts is included in contributions and grants revenue. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience. As a result of these reviews, management establishes an allowance as a best estimate of probable losses. All contribution and grants receivable balances, or portions thereof, that are deemed to be uncollectible, or that require excessive collection cost, are written off.

Accounts, employee and other receivables are expected to be collected within one year and are considered by management to be substantially collectible. Accordingly, no allowance for doubtful accounts has been established for the amounts. Conditional promises to give are not included as support until the conditions are substantially met.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$35,470 and \$18,268, respectively.

Income taxes -

Evidence Action is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Evidence Action is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, Evidence Action has considered potential uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions or for which restrictions have expired. These net assets are available for the operation of Evidence Action and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Evidence Action and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, grants and contracts -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor.

Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Evidence Action also receives funding under contracts from the U.S. government, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Management has recorded Government contract revenue as temporarily restricted and recorded unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

Contributed services and materials -

Contributed services and materials consist primarily of donated professional services and personnel. Contributed services and materials are recorded at their estimated fair value as of the date of the gift based upon the donors' and management's estimates.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on grant level direct cost inputs that ensures full recovery of all allowable costs.

Risks and uncertainties -

Evidence Action invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Evidence Action utilizes a framework for measuring fair value based upon a fair value hierarchy utilizing inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) to measure fair value, and enhances disclosure requirements for fair value measurements. Evidence Action accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments.

The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU is to be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Evidence Action's financial statements, it is not expected to materially alter Evidence Action's reported financial position. Evidence Action has elected to defer implementation until the applicable required date.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

EVIDENCE ACTION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. INVESTMENTS

Investments, at fair value, consisted of the following at December 31, 2016 and 2015:

	2016	2015
Exchange-Traded Funds	\$ 1,097,441	\$ -
Mutual Funds	7,502,301	1,500,000
TOTAL INVESTMENTS	\$ 8,599,742	\$ 1,500,000

Investment income for the years ended December 31, 2016 and 2015 includes:

	2016	2015
Interest and dividends	\$ 225,464	\$ -
Net realized and unrealized gain	102,662	14,357
TOTAL INVESTMENT INCOME	\$ 328,126	\$ 14,357

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2016 and 2015, contributors to Evidence Action have made written promises to give totaling \$2,791,056 and \$4,518,642, respectively. Contributions and grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of approximately 3%.

Contributions and grants are due as follows at December 31, 2016 and 2015:

	2016	2015
Less than one year	\$ 1,291,056	\$ 2,557,869
One to five years	1,500,000	1,960,773
Total	2,791,056	4,518,642
Less: Allowance to discount balance to present value	(97,687)	(178,400)
Less: Allowance for doubtful contributions and grants	-	(163,091)
	2,693,369	4,177,151
Less: Current portion	(1,291,056)	(2,394,778)
CONTRIBUTIONS AND GRANTS RECEIVABLE, NET OF CURRENT PORTION, ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PRESENT VALUE DISCOUNT	\$ 1,402,313	\$ 1,782,373

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

4. CONTRIBUTED SERVICES AND MATERIALS

During the years ended December 31, 2016 and 2015, Evidence Action was the beneficiary of donated goods and services, which allowed Evidence Action to provide greater resources toward various programs.

The fair value of these donations was estimated to be \$164,292 and \$20,532 based upon the donors' and management's estimates and is included in revenue and expense in the accompanying Statements of Activities and Changes in Net Assets.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Deworm the World Initiative	\$ 18,348,478	\$ 4,645,366
Dispensers for Safe Water Program	510,398	-
Evidence Action Beta	<u>2,157,761</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 21,016,637</u>	<u>\$ 4,645,366</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2016</u>	<u>2015</u>
Deworm the World Initiative	\$ 4,234,424	\$ 5,168,671
Dispensers for Safe Water Program	1,541,474	3,650,242
Evidence Action Beta	<u>1,353,551</u>	<u>1,065,051</u>
	<u>\$ 7,129,449</u>	<u>\$ 9,883,964</u>

6. LONG-TERM DEBT

Evidence Action has obtained loans from three non-profit public benefit corporations to support the installation and maintenance of chlorine dispensers in Kenya and Malawi. Repayment of each of the loans is based on sales of carbon credits relating to those chlorine dispensers specified in each agreement. As such, repayment amounts are not guaranteed or certain as payment amounts are representative of future events that may or may not occur. Should events not occur, payments may not be required. The terms of the first two loans are for 84 months and the term of the third loan is for 120 months. The loans carry no annual interest and are not collateralized.

As of December 31, 2016 and 2015, the outstanding principal of the loans payable was \$3,279,949 and \$2,599,950, respectively.

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DECEMBER 31, 2016 AND 2015**

6. LONG-TERM DEBT (Continued)

Estimated principal payments subsequent to December 31, 2016 are due as follows:

<u>Year Ending December 31,</u>	
2017	\$ 204,999
2018	275,000
2019	343,151
2020	149,950
2021	50,000
2022 and Thereafter	<u>2,256,849</u>
	<u>\$ 3,279,949</u>

7. LEASE COMMITMENTS

Evidence Action leases office space under agreements in Washington, D.C., the Republic of Kenya, the Republic of Uganda and the Republic of Malawi. These operating leases expire in various years through 2021.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2017	\$ 93,163
2018	74,345
2019	56,150
2020	54,816
2021	<u>81,550</u>
	<u>\$ 360,024</u>

Occupancy costs for the years ended December 31, 2016 and 2015 were \$569,862 and \$451,816, which are included in occupancy expense and management and general expense allocation in the Statement of Functional Expenses.

8. CONTINGENCY

Evidence Action receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning in fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2015.

EVIDENCE ACTION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

8. CONTINGENCY (Continued)

Until such audits have been accepted by the United States Government, Evidence Action may potentially have to refund any amount received in excess of allowable costs and such amounts could be significant. For the year ended December 31, 2016, Evidence Action did not meet the requirements to be subject to an audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

9. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Evidence Action has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Evidence Action has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Exchange-traded funds and Mutual funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, Evidence Action's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Exchange-Traded Funds	\$ 1,097,441	\$ -	\$ -	\$ 1,097,441
Mutual Funds	<u>7,502,301</u>	<u>-</u>	<u>-</u>	<u>7,502,301</u>
TOTAL	<u>\$ 8,599,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,599,742</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

9. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, Evidence Action's investments as of December 31, 2015:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

10. DISPENSERS FOR SAFE WATER PROGRAM

As more fully described in Note 6, Evidence Action obtains loans from non-profit public benefit corporations, the proceeds of which are expended in the Dispensers for Safe Water Program. The source of repayment is expected to come from the sales of carbon credits from the use of the chlorine dispensers, which may or may not occur. Accordingly, expenses related to the Dispensers for Safe Water Program may be incurred in periods during which there is no corresponding revenue from the sales of carbon credits, resulting in program operating losses.

11. SUBSEQUENT EVENTS

In preparing these financial statements, Evidence Action has evaluated events and transactions for potential recognition or disclosure through September 28, 2017, the date the financial statements were issued.