



Consolidated Financial Statements

International Development Enterprises and Subsidiaries

Years Ended December 31, 2019 and 2018



RESULT Project in Ethiopia, Photo by Ephrem Ebebe / iDE / 2019

**INTERNATIONAL DEVELOPMENT ENTERPRISES
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
International Development Enterprises and Subsidiaries
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of International Development Enterprises and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of nine country programs, iDE UK and one social enterprise in 2019 and eleven country programs, iDE UK and one social enterprise 2018, which statements reflect total assets of \$3,011,683 and \$3,171,096 as of December 31, 2019 and 2018, respectively, and total support and revenues of \$22,307,703 and \$24,274,607, respectively, for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the nine country programs, iDE UK and one social enterprise, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of iDE Bangladesh, iDE Ethiopia, iDE Cambodia, iDE Ghana, iDE Mozambique, iDE Nepal, iDE Zambia, iDE Vietnam, iDE UK, iDE Honduras, and Hydrologic Social Enterprise Company Limited were not audited in accordance with *Government Auditing Standards*.

Auditors' Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Development Enterprises and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020, on our consideration of International Development Enterprises' and the iDE International Foundation's (IDEI) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of International Development Enterprises' and IDEI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering International Development Enterprises' and IDEI's internal control over financial reporting and compliance. The nine country programs, iDE UK and one social enterprise audited by other auditors in 2019 were not audited in accordance with *Government Auditing Standards*.



CliftonLarsonAllen LLP

Denver, Colorado
September 2, 2020

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,908,521	\$ 9,922,458
Investments	88,661	59,056
Accounts Receivable, Less Allowance for Doubtful Accounts, \$127,207 for 2019 and \$133,803 for 2018	1,625,113	1,379,689
Grants Receivable	1,403,735	1,457,157
Inventories for Sale	288,553	350,712
Prepaid Expenses and Other Current Assets	277,354	485,443
Total Current Assets	14,591,937	13,654,515
CAPITAL ASSETS, Net	493,373	446,933
OTHER ASSETS		
Deposits	46,078	53,681
Total Assets	\$ 15,131,388	\$ 14,155,129
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,953,787	\$ 2,319,555
Deferred Grant Revenue	8,986,343	8,136,071
Notes Payable, Current	103,710	229,016
Total Current Liabilities	11,043,840	10,684,642
Total Liabilities	11,043,840	10,684,642
NET ASSETS		
Without Donor Restrictions	3,617,742	3,470,487
With Donor Restrictions	469,806	-
Total Net Assets	4,087,548	3,470,487
Total Liabilities and Net Assets	\$ 15,131,388	\$ 14,155,129

See accompanying Notes to Consolidated Financial Statements.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Grant Revenue:			
Federal Grants	\$ 3,292,243	\$ -	\$ 3,292,243
Other Grants	17,419,220	469,806	17,889,026
Total Grant Revenue	20,711,463	469,806	21,181,269
Donations	609,526	-	609,526
Field and Program Revenue	2,879,489	-	2,879,489
Sales	2,483,542	-	2,483,542
Less: Cost of Goods Sold	(1,302,746)	-	(1,302,746)
Gross Margin on Sales	1,180,796	-	1,180,796
Interest Income	23,758	-	23,758
Gain (Loss) on Disposition of Capital Assets	3,034	-	3,034
Other Income	1,237,653	-	1,237,653
Net Assets Released from Restrictions	-	-	-
Total Operating Revenues, Gains, and Other Support	26,645,719	469,806	27,115,525
EXPENSES			
Program Services:			
Cambodia	4,305,436	-	4,305,436
Vietnam	195,968	-	195,968
Bangladesh	3,419,004	-	3,419,004
Nepal	1,227,458	-	1,227,458
Zambia	1,084,953	-	1,084,953
Ghana	1,976,188	-	1,976,188
Ethiopia	1,748,939	-	1,748,939
Mozambique	3,018,002	-	3,018,002
Honduras	546,752	-	546,752
Nicaragua	-	-	-
West Africa	-	-	-
United Kingdom	1,509,876	-	1,509,876
Multi-Country Projects	1,585,717	-	1,585,717
Hydrologic	48,217	-	48,217
Total Program Services	20,666,510	-	20,666,510
General and Administrative	5,629,388	-	5,629,388
Fundraising	202,566	-	202,566
Total Expenses	26,498,464	-	26,498,464
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	147,255	469,806	617,061
NONOPERATING REVENUE AND EXPENSES			
Impairment Gain (Loss) on Business Segment Assets	-	-	-
TOTAL CHANGE IN NET ASSETS	147,255	469,806	617,061
Net Assets - Beginning of Year	3,470,487	-	3,470,487
NET ASSETS - END OF YEAR	\$ 3,617,742	\$ 469,806	\$ 4,087,548

See accompanying Notes to Consolidated Financial Statements.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Grant Revenue:			
Federal Grants	\$ 2,747,628	\$ -	\$ 2,747,628
Other Grants	19,225,800	-	19,225,800
Total Grant Revenue	<u>21,973,428</u>	-	<u>21,973,428</u>
Donations	363,206	-	363,206
Field and Program Revenue	2,812,423	-	2,812,423
Sales	2,205,197	-	2,205,197
Less: Cost of Goods Sold	(1,298,132)	-	(1,298,132)
Gross Margin on Sales	<u>907,065</u>	-	<u>907,065</u>
Interest Income	42,481	-	42,481
Loss on Disposition of Capital Assets	(6,315)	-	(6,315)
Other Income	1,681,535	-	1,681,535
Net Assets Released from Restrictions	-	-	-
Total Operating Revenues, Gains, and Other Support	<u>27,773,823</u>	-	<u>27,773,823</u>
EXPENSES			
Program Services:			
Cambodia	4,015,171	-	4,015,171
Vietnam	282,693	-	282,693
Bangladesh	3,709,744	-	3,709,744
Nepal	2,769,038	-	2,769,038
Zambia	1,549,475	-	1,549,475
Ghana	1,790,589	-	1,790,589
Ethiopia	1,662,140	-	1,662,140
Mozambique	1,987,321	-	1,987,321
Honduras	759,435	-	759,435
Nicaragua	21,392	-	21,392
West Africa	66,508	-	66,508
United Kingdom	1,485,125	-	1,485,125
Multi-Country Projects	1,082,777	-	1,082,777
Hydrologic	45,957	-	45,957
Total Program Services	<u>21,227,365</u>	-	<u>21,227,365</u>
General and Administrative	6,358,136	-	6,358,136
Fundraising	169,551	-	169,551
Total Expenses	<u>27,755,052</u>	-	<u>27,755,052</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>18,771</u>	-	<u>18,771</u>
NONOPERATING REVENUE AND EXPENSES			
Impairment Loss on Business Segment Assets	<u>18,890</u>	-	<u>18,890</u>
TOTAL CHANGE IN NET ASSETS	37,661	-	37,661
Net Assets - Beginning of Year	<u>3,432,826</u>	-	<u>3,432,826</u>
NET ASSETS - END OF YEAR	<u>\$ 3,470,487</u>	<u>\$ -</u>	<u>\$ 3,470,487</u>

See accompanying Notes to Consolidated Financial Statements.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Cambodia	Vietnam	Bangladesh	Nepal	Zambia	Ghana	Ethiopia	Mozambique	Honduras
Personnel and Benefits	\$ 3,149,846	\$ 76,629	\$ 2,226,041	\$ 493,921	\$ 704,339	\$ 1,097,356	\$ 575,599	\$ 970,991	\$ 371,547
Subgrants	-	-	-	507,555	-	-	-	344,033	-
Professional Services	28,676	2,376	9,064	8,085	38,996	8,312	6,163	22,226	5,121
Travel and Transportation	513,034	106,593	244,733	56,484	105,422	112,464	35,527	148,054	69,664
Subcontracts and Consultants	328,708	736	520,048	106,664	69,596	588,264	941,292	1,086,244	42,938
Vehicle and Equipment Expense	16,084	-	152,202	16,247	71,020	51,752	129,373	114,038	21,973
Office Expense	266,218	9,634	242,329	37,232	90,931	109,908	57,203	148,997	30,565
Depreciation Expense	-	-	-	-	-	-	-	-	-
Business Administrative Expenses	-	-	-	-	19	-	-	-	2,316
Capital Expenses	2,870	-	24,587	1,270	4,630	8,132	3,782	183,419	2,628
Total	4,305,436	195,968	3,419,004	1,227,458	1,084,953	1,976,188	1,748,939	3,018,002	546,752
Supporting Services*	1,105,912	34,226	909,765	312,979	236,844	475,064	375,482	559,581	201,781
Total	\$ 5,411,348	\$ 230,194	\$ 4,328,769	\$ 1,540,437	\$ 1,321,797	\$ 2,451,252	\$ 2,124,421	\$ 3,577,583	\$ 748,533

	Nicaragua	West Africa	United Kingdom	Multi-Country Projects	Hydrologic	Total Program Services	Fundraising	General and Administrative	Total Expenses
Personnel and Benefits	\$ -	\$ -	\$ 97,556	\$ 319,112	\$ 7,991	\$ 10,090,928	\$ 79,400	\$ 3,929,121	\$ 14,099,449
Subgrants	-	-	1,353,140	741,185	-	2,945,913	-	-	2,945,913
Professional Services	-	-	8,818	9,828	-	147,665	-	169,909	317,574
Travel and Transportation	-	-	15,324	42,048	-	1,449,347	21,218	348,954	1,819,519
Subcontracts and Consultants	-	-	26,911	465,346	28,507	4,205,254	86,350	431,179	4,722,783
Vehicle and Equipment Expense	-	-	-	-	10,050	582,739	18	70,010	652,767
Office Expense	-	-	8,127	8,198	25	1,009,367	15,580	474,720	1,499,667
Depreciation Expense	-	-	-	-	-	-	-	149,660	149,660
Business Administrative Expenses	-	-	-	-	1,644	3,979	-	43,562	47,541
Capital Expenses	-	-	-	-	-	231,318	-	12,273	243,591
Total	-	-	1,509,876	1,585,717	48,217	\$ 20,666,510	\$ 202,566	\$ 5,629,388	\$ 26,498,464
Supporting Services*	-	-	368,223	277,847	974,250	-	-	-	-
Total	\$ -	\$ -	\$ 1,878,099	\$ 1,863,564	\$ 1,022,467				

* Supporting Services costs in this line include costs that are attributable to the various country operations. These costs are shown within General and Administrative and Fundraising on the consolidated statement of activities and changes in net assets.

See accompanying Notes to Consolidated Financial Statements.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Cambodia</u>	<u>Vietnam</u>	<u>Bangladesh</u>	<u>Nepal</u>	<u>Zambia</u>	<u>Ghana</u>	<u>Ethiopia</u>	<u>Mozambique</u>	<u>Honduras</u>
Personnel and Benefits	\$ 2,902,897	\$ 116,277	\$ 2,277,055	\$ 798,429	\$ 784,070	\$ 1,008,476	\$ 562,776	\$ 829,071	\$ 398,481
Subgrants	-	-	-	1,624,778	133,792	-	-	46,889	-
Professional Services	6,726	2,254	7,418	5,715	47,713	13,039	7,716	21,368	3,875
Travel and Transportation	593,113	150,580	270,205	104,043	221,280	174,875	24,062	155,027	81,244
Subcontracts and Consultants	218,515	426	675,749	120,611	104,471	381,471	874,309	664,612	217,805
Vehicle and Equipment Expense	10,750	84	195,986	36,479	110,090	56,695	116,191	88,164	19,406
Office Expense	249,298	12,426	280,064	66,188	118,826	121,120	59,880	152,809	36,157
Depreciation Expense	-	-	-	-	-	-	-	-	-
Business Administrative Expenses	-	-	-	3,548	61	-	-	17	2,467
Capital Expenses	33,872	646	3,267	9,247	29,172	34,913	17,206	29,364	-
Total	4,015,171	282,693	3,709,744	2,769,038	1,549,475	1,790,589	1,662,140	1,987,321	759,435
Supporting Services*	977,438	49,410	864,546	552,560	411,978	660,566	374,108	384,907	246,088
Total	\$ 4,992,609	\$ 332,103	\$ 4,574,290	\$ 3,321,598	\$ 1,961,453	\$ 2,451,155	\$ 2,036,248	\$ 2,372,228	\$ 1,005,523

	<u>Nicaragua</u>	<u>West Africa</u>	<u>United Kingdom</u>	<u>Multi-Country Projects</u>	<u>Hydrologic</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Personnel and Benefits	\$ -	\$ 44,429	\$ 147,087	\$ 469,587	\$ 37,569	\$ 10,376,204	\$ 56,994	\$ 4,144,079	\$ 14,577,277
Subgrants	-	-	1,229,434	370,990	-	3,405,883	-	-	3,405,883
Professional Services	-	3,939	11,222	13,771	-	144,756	-	241,065	385,821
Travel and Transportation	-	6,323	29,262	62,244	2,030	1,874,288	4,452	447,313	2,326,053
Subcontracts and Consultants	21,446	6,234	64,024	165,995	4,823	3,520,491	94,900	539,672	4,155,063
Vehicle and Equipment Expense	-	1,136	-	-	-	634,981	-	135,019	770,000
Office Expense	(54)	4,447	4,096	190	1,535	1,106,982	13,205	482,520	1,602,707
Depreciation Expense	-	-	-	-	-	-	-	136,857	136,857
Business Administrative Expenses	-	-	-	-	-	6,093	-	217,184	223,277
Capital Expenses	-	-	-	-	-	157,687	-	14,427	172,114
Total	21,392	66,508	1,485,125	1,082,777	45,957	\$ 21,227,365	\$ 169,551	\$ 6,358,136	\$ 27,755,052
Supporting Services*	39,062	160,006	562,157	186,588	1,058,273				
Total	\$ 60,454	\$ 226,514	\$ 2,047,282	\$ 1,269,365	\$ 1,104,230				

* Supporting Services costs in this line include costs that are attributable to the various country operations. These costs are shown within General and Administrative and Fundraising on the consolidated statement of activities and changes in net assets.

See accompanying Notes to Consolidated Financial Statements.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 617,061	\$ 37,661
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	149,660	136,857
Change in Provision for Bad Debts	(6,596)	89,427
Unrealized Loss on Investments and Other Assets	1,180	2,287
(Gain) Loss on Sale of Capital Assets	(3,034)	6,315
Gain on Business Segment Assets Held-For-Sale	-	(18,890)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(238,828)	87,556
Grants Receivable	53,422	(270,102)
Pledges and Note Receivable	-	50,000
Inventories for Sale	62,159	194,055
Prepaid Expenses and Other Current Assets	208,089	(142,781)
Deposits	7,603	259
Accounts Payable and Accrued Liabilities	(365,768)	(540,425)
Deferred Grant Revenue	850,272	(1,182,780)
Net Cash Provided (Used) by Operating Activities	1,335,220	(1,550,561)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(232,376)	(44,152)
Proceeds on Sale of Capital Assets	39,310	-
Purchase of Investments	(30,785)	(22,654)
Net Cash Used by Investing Activities	(223,851)	(66,806)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(125,306)	(159,314)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	986,063	(1,776,681)
Cash and Cash Equivalents - Beginning of Year	9,922,458	11,699,139
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 10,908,521	\$ 9,922,458
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Expense Paid	\$ 8,102	\$ 6,403

See accompanying Notes to Consolidated Financial Statements.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

International Development Enterprises (iDE) was incorporated on October 1, 1982, under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania as a multi-national nonprofit public charity.

iDE's mission is to create income and livelihood opportunities for poor, rural households. iDE believes that entrepreneurs are everywhere and that if iDE can put them to work, it can solve poverty with profit. In its first 32 years, iDE reached 23 million people with a product or service that helped to improve their livelihoods. Our goal is to reach 20 million more in a fraction of that time. Since 2014, iDE has catalyzed another 11 million poor, rural people in developing countries to move out of poverty and into prosperity through improved income generation. iDE's areas of focus are: agriculture; WASH (water, sanitation, and hygiene); access to finance; climate change, gender, nutrition; and food security.

Program Services

iDE maintains country programs in Central America, Asia, and Africa including Bangladesh, Cambodia, Ethiopia, Nepal, Vietnam, Zambia, Ghana, Mozambique, Nicaragua, Honduras, and West Africa. Employing more than 1,245 staff (98% in the field), most country programs are staffed by nationals and managed by a Country Director.

iDEal Technologies, LLC (iDEal) was created as a Colorado organization in which iDE is the sole member. iDEal is a social enterprise for the promotion of low-cost, drip irrigation technologies. iDEal Technologies, LLC in Colorado is the owner of the Nicaraguan entity, iDEal Tecnologias. All functional expenses were booked under the Nicaraguan entity. Effective February 20, 2018, iDE entered into an agreement to sell iDEal to iDE Canada. iDE Canada agreed to acquire iDEal and its related assets as of December 31, 2017 for a purchase price of \$162,204. iDE recognized a gain of \$18,890 on iDEal's assets as of December 31, 2018 and an impairment loss of \$122,147 on iDEal's assets of December 31, 2017 in connection with the sale of iDEal to iDE Canada.

Hydrologic Social Enterprise Company Limited is a Cambodian company, wholly owned by iDE for the manufacture and distribution of low-cost, ceramic water purifiers and related livelihood products.

iDE International Foundation (IDEI) is an organization registered as a charitable foundation in Berne, Switzerland.

International Development Enterprises UK (iDE UK) is a private limited company charity registered in England of which iDE is a sole member.

iDE closed the iDE Burkina Faso (West Africa) country program in the summer of 2018. As of December 31, 2019 and 2018, iDE Burkina Faso's assets represented less than 1% of iDE's total assets. iDE Burkina Faso's revenue represented approximately 0% and 1% of iDE's total revenue for 2019 and 2018, respectively.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

In adopting a market driven philosophy, iDE has focused its efforts on creating sustainable networks of supply chain manufacturers, assemblers, retailers, and installers of affordable water resource technologies. The hallmark of iDE's program successes lay in five key principles to market creation for the poor: 1) local ownership, 2) client participation, 3) rapid return on investment, 4) affordable cost, and 5) market sustainability.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of iDE, iDEal, IDEI, iDE Burkina Faso (West Africa), iDE Bangladesh, iDE Ethiopia, iDE Cambodia, iDE Ghana, iDE Mozambique, iDE Nepal, iDE Zambia, iDE Vietnam, iDE Honduras, iDE UK, and Hydrologic Social Enterprise Company Limited, which are collectively referred to as iDE. All material transactions between these entities have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Program activities are those that are conducted in accordance with the Organization's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the Organization's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Salaries, benefits and payroll tax expense is allocated to programs, management and general activities, and fundraising based on time recorded and classified by employees. All other expense is allocated to activities based on the allocation of staff among departments and square footage utilized by departments.

Income Tax Status

iDE qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for Federal income taxes has been provided. In addition, iDE qualifies for the charitable contribution deduction under Section 170(c)(2) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

iDE follows the guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. iDE has no current obligation for unrelated business income tax. iDE files as a tax-exempt organization.

Property and Equipment

Property and equipment valued at \$1,000 or greater with estimated useful lives greater than one year are capitalized at cost and depreciated over the estimated useful life of each asset ranging from three to seven years. Annual depreciation is computed using the straight-line method.

iDE reports gifts of property, plant, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Foreign Exchange

At December 31, 2019 and 2018, all of iDE's grants receivable are payable to iDE in U.S. dollars, Canadian dollars, the Euro, Swiss Francs and British Pounds. Foreign exchange losses of \$239,254 were recognized in 2019, and foreign exchange gains of \$104,812 were recognized in 2018.

Cash and Cash Equivalents

iDE considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents committed to grant purposes represents cash advanced from donors and foundations for grants not yet expended on allowable grant purposes.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

iDE maintains significant cash balances in foreign field offices that are not readily transferable to the United States. Management does not believe these balances are at risk of loss.

Revenue Recognition

Revenue recognition treatment is determined on a case-by-case basis in accordance with generally accepted accounting principles in the United States of America for nonprofit entities. The major revenue streams of IDE and corresponding revenue recognition treatment is as follows:

Grants Revenue and Donations – The Organization recognizes revenue for contributions (and grants considered to be contributions) based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Organization is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measurable performance or other barrier and a right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

For conditional contributions whose restrictions are met in the same period in which the corresponding revenue is recognized, the revenue is reported as support without donor restrictions.

The Organization received conditional grants and contributions approximating \$49.4 million that have not been recognized as of December 31, 2019 because the conditions for revenue recognition have not been satisfied. Of this amount, \$9.0 million of advanced payments have been received and are shown as deferred revenue on the consolidated statement of financial position.

Field and Program Revenue – Field and program revenue consists of revenue earned based on indirect cost rate reimbursements as specified in various grant agreements. Revenue is recognized as a percentage of qualified base expenses as they are incurred.

Sales Revenue – Sales revenue represents the sale of water irrigation parts, vegetables, irrigation tools and pest control developed from iDE projects. Sales are conducted in person and delivery of goods occur simultaneously as receipts for the products are issued and consideration is collected. Contract, price and delivery of the product occur all at the same time. As a result, revenue is recognized at the point-of-sale.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Other Income – Other income includes various service fees charged to individuals and independent organizations who partner with iDE on short-term projects related to its overall mission. Such services fees might include consulting, training or management services performed by iDE. The fees are agreed upon through contracts which are based on identified performance obligations at a set price or rate. iDE recognizes the revenue as the performance obligations are met.

iDE also earns carbon credits for the displacement of water boiling practices caused by the use of ceramic water purifiers manufactured and sold by Hydrologic. This displacement reduces CO₂ emissions by 41,000 tons on an annual basis; and accordingly, carbon credits were awarded and registered by the Gold Standard. In 2019 and 2018, 104,319 and 133,145 credits were sold by iDE for the amounts of \$317,546 and \$651,869, respectively. Revenue is recorded in Other Income on the consolidated statements of activities and changes in net assets. Due to the nature of the carbon credit market, iDE recognizes carbon credit revenue when sold.

Accounts and Grants

Accounts receivable are uncollateralized obligations and generally require payment within 30 to 60 days from the date arising. iDE does not charge interest on delinquent accounts.

iDE receives grants from philanthropically focused organizations for investment in iDE's mission related projects. Grants receivable consist of funding commitments from those organizations, which have not been received.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value and consist of pumps, water filters, and drip irrigation equipment held for sale in various countries.

Impairment of Long-Lived Assets

iDE reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments recognized by iDE for the years ended December 31, 2019 and 2018.

Fair Value of Investments

The fair value of equity and mutual fund investments is determined at the value for which the investments are traded on public exchanges. The fair value of money market funds is determined at cost plus earned interest.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

ASU 2014-09 – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The consolidated financial statements reflect the application of ASU 2014-09 beginning in 2019 under the modified retrospective approach. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

ASU 2018-08 – In June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The consolidated financial statements reflect the application of ASU 2018-08 beginning January 1, 2019 using the modified prospective approach. The adoption of this ASU did not result in an impact on the Organization's reported historical revenue.

NOTE 2 LIQUIDITY AND AVAILABILITY

iDE manages its liquidity and reserves using the following guiding principles: operating within a board approved range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. iDE has an operating reserve fund policy to maintain current financial assets less current liabilities between three and six months of the annual operating budget for iDE Headquarters. The compliance with the operating reserve policy and progress towards these targets will be monitored on an annual basis.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 10,908,521	\$ 9,922,458
Investments	88,661	59,056
Accounts Receivable	1,625,113	1,379,689
Grants Receivable	1,403,735	1,457,157
Total Liquid Financial Assets	<u>14,026,030</u>	<u>12,818,360</u>
Contractual or Project-Imposed Restriction	(8,986,343)	(8,136,071)
Donor Restricted Net Assets	(469,806)	-
Total Short-Term Obligations	<u>(9,456,149)</u>	<u>(8,136,071)</u>
 Total	 <u>\$ 4,569,881</u>	 <u>\$ 4,682,289</u>

As of December 31, 2019 and 2018, iDE has \$4,569,881 and \$4,682,289, respectively, of financial assets available within one year of the statement of financial position date consisting of cash, and marketable securities of \$10,997,182 and \$9,981,514, respectively, and accounts and grants receivable of \$3,070,869 and \$2,836,846, respectively. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Accounts and grants receivables will be collected within one year. As more fully described in Note 10, iDE also has committed lines of credit in the amount \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

iDE receives contributions from various corporations, organizations, governments, and individuals. At December 31, 2019 and 2018, net assets are restricted for the following purposes or periods as of December 31:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specific Purpose:		
Mozambique - Building Resilience for Smallholder Farmers	\$ 283,037	\$ -
Zambia - Strengthening Farmers Income and Self Reliance	186,769	-
Total Net Assets With Donor Restrictions	<u>\$ 469,806</u>	<u>\$ -</u>

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 AFFILIATE ORGANIZATION TRANSACTIONS

iDE works with related non-U.S. based nonprofit organizations with similar purposes, goals, and policies. The organization that iDE maintained this relationship with during the year was iDE-Canada. The board and staff of this organization work closely with iDE in designing, financing, and executing projects worldwide.

Included in accounts receivable are amounts due from iDE-Canada of \$179,535 and \$25,360 for grant expenses paid on behalf of iDE-Canada by iDE at December 31, 2019 and 2018, respectively.

Included in notes payable are amounts due to iDE-Canada of \$0- and \$125,000 at December 31, 2019 and 2018, respectively.

Included in grants receivables are amounts due from iDE-Canada for the performance of services related to grants awarded to iDE of \$7,458 and \$8,458 as of December 31, 2019 and 2018, respectively.

NOTE 5 FOREIGN OPERATIONS AND CONCENTRATIONS

Foreign Operations

For the years ended December 31, 2019 and 2018, there were no contracts that were individually greater than 10% of iDE's total revenue.

NOTE 6 OPERATING LEASE

During 2013, iDE signed an agreement to lease space for its office headquarters. The lease term commenced in January 2014 and allows for annual automatic renewal for successive one-year terms for an additional nine years through May 31, 2023. iDE has the option to terminate the lease after any one-year term upon giving adequate notice to the lessor. As iDE is only obligated to pay rent for the next fiscal year, successive term payments have not been included in the future minimum rental payment schedule.

Total rent expense for leased headquarters office space amounted to \$131,700 and \$126,698 for the years ended December 31, 2019 and 2018, respectively. iDE leases office space in multiple countries. Total rent expense under these leases amounted to \$576,176 and \$619,725 for the years ended December 31, 2019 and 2018, respectively.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 OPERATING LEASE (CONTINUED)

The following is a schedule of the future minimum rental payments for the years ending December 31:

<u>Year</u>	<u>Amount</u>
2020	\$ 548,570
2021	184,010
2022	99,838
2023	92,519
2024	75,410
Thereafter	30,770
Total	<u><u>\$ 1,031,117</u></u>

NOTE 7 DEFINED CONTRIBUTION RETIREMENT PLAN

iDE has a 403(b) plan available to all full time domestic employees who are at least 21 years of age, are scheduled at least 1,000 hours per year, and have completed three months of service. iDE contributes 6% of the employee's gross salary. Contributions for the years ended December 31, 2019 and 2018 amounted to \$151,999 and \$167,105, respectively.

NOTE 8 CASH AND CASH EQUIVALENTS

iDE maintains its unrestricted cash balances in checking accounts and in a money market demand account in banks in the United States. At times, iDE's bank account balances may exceed federally insured limits. iDE has not experienced any losses in these accounts. Management does not believe iDE is exposed to any significant credit risk on cash and cash equivalents.

A portion of the cash balance is committed for the purposes of exchange type transactions grants received and conditional contribution grants received for which conditions have not yet been met. The balance of assets held at December 31, 2019 and 2018 are \$9,456,149 and \$8,136,071, respectively, which were advanced for exchange type transaction and conditional contribution grants that have purpose restrictions.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:

	2019	2018
Buildings and Improvements	\$ 93,547	\$ 68,605
Furniture and Equipment	418,043	425,157
Vehicles	765,348	655,766
Leasehold Improvements	296,863	296,863
Total	<u>1,573,801</u>	<u>1,446,391</u>
Less: Accumulated Depreciation	<u>(1,080,428)</u>	<u>(999,458)</u>
Net Property and Equipment	<u>\$ 493,373</u>	<u>\$ 446,933</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$149,660 and \$136,857, respectively.

NOTE 10 NOTES PAYABLE

In 2013, Hydrologic entered into a note payable agreement with iDE-Canada for \$150,000. The note matured on June 30, 2019 and bears interest at 5%. Semi-annual principal payments are due in the amount of \$25,000 starting on June 30, 2016. As of December 31, 2019 and 2018, the balance due was \$-0- and \$25,000, respectively.

In 2017, iDE Ghana entered into a note payable agreement with iDE-Canada for \$57,043. The loan is interest-free and was repaid in equal quarterly payments in 2019. As of December 31, 2019 and 2018, the balance due was \$14,263 and \$57,043, respectively.

iDE loans capital to individuals or groups in Cambodia and other countries in which it operates. In December 2014, iDE executed an agreement with Kiva, a California nonprofit public benefit corporation, to become a Kiva Microfinance Institution (MFI) Field Partner. Kiva operates one or more donor advised funds (DAF) that allows advisors to the DAF to connect with local lenders, such as iDE, that provide small loans to borrowers (individuals or groups) in developing countries. The agreement allows iDE to obtain access to, and the ability to post on, Kiva website profiles of borrowers in need of debt capital in order to obtain capital in the form of loans from lenders (individuals and entities) who also access the Kiva website.

Funds contributed from lenders to the Kiva website bear no interest rate. The agreement establishes maximum microloan limits for individual borrowers and group borrowers by country. The terms of the loans to borrowers of these funds are set by iDE. The agreement requires that all loans to borrowers are established on a short-term basis. iDE is responsible for collecting loan repayments from borrowers and remitting loan repayments to Kiva. Kiva periodically bills iDE for all loan repayments that have been collected from borrowers by a certain date. At any time during the term of the agreement, Kiva may elect to charge a fee on funds raised through the Kiva website. During 2019 and 2018, there was no Kiva fee charged on funds raised through the Kiva website. As of December 31, 2019 and 2018, the maximum credit limit of funds that iDE may raise through Kiva was \$800,000. The maximum credit limit is determined based on Kiva's MFI risk rating model.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 NOTES PAYABLE (CONTINUED)

As of December 31, 2019 and 2018, the outstanding balance of funds raised through Kiva was \$78,880 and \$146,973, respectively.

In 2019, iDE also began operating a revolving loan program in Mozambique funded by a grant agreement to enable small-scale farmers to make purchases with little or no collateral. As of December 31, 2019, the outstanding balance of the revolving loan program was \$10,567.

The following is a schedule of the future minimum principal payments due on all notes for the year ending December 31:

<u>Year</u>	<u>Amount</u>
2020	\$ 103,710

NOTE 11 COMMITMENTS

Line of Credit

At December 31, 2019, iDE had a line of credit with a financial institution with maximum borrowings of up to \$500,000. The line of credit expires on January 1, 2020 and accrues interest at a rate 5.75%. The line of credit was renewed on January 1, 2020 under the same terms for a one year period that expires January 1, 2021. At December 31, 2019 and 2018, no amounts were outstanding on line of credit.

NOTE 12 CONTINGENCIES

iDE participates in a number of federal programs, which are subject to financial and compliance audits. The amount of expenses which may be disallowed by the granting agencies cannot be determined at this time, although iDE does not expect these amounts, if any, to be material to the consolidated financial statements.

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to iDE, COVID-19 may impact its 2020 operations and financial results that could result in a reduction of related revenues and expense. Management believes iDE is taking appropriate actions to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 13 SUBSEQUENT EVENTS (CONTINUED)

On April 15, 2020, the Organization executed a loan of \$761,000 under the Paycheck Protection Program authorized by the CARES Act that was signed into law on March 27, 2020. The loan begins accruing interest at a rate of 1.00% on the effective dates. Under the Paycheck Protection Program, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent and utility costs, and if the Organization retains employees during a specified period of time. Management estimates a majority of the loan funds will be eligible for forgiveness.

**INTERNATIONAL DEVELOPMENT ENTERPRISES
AND SUBSIDIARIES**

SINGLE AUDIT COMPLIANCE REPORTS

YEAR ENDED DECEMBER 31, 2019

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors and Finance Committee
International Development Enterprises and Subsidiaries
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of International Development Enterprises and Subsidiaries (iDE), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 2, 2020. Our report includes a reference to other auditors who audited the financial statements of eleven country programs, iDE UK and one social enterprise in 2019, as described in our report on iDE's financial statements. The financial statements of iDE Bangladesh, iDE Ethiopia, iDE Cambodia, iDE Ghana, iDE Mozambique, iDE Nepal, iDE Zambia, iDE Vietnam, iDE Honduras, iDE UK, and Hydrologic Social Enterprise Company Limited were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered iDE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of iDE's internal control. Accordingly, we do not express an opinion on the effectiveness of iDE's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether iDE's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

iDE's Response to Findings

iDE's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. iDE's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of iDE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering iDE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Denver, Colorado
September 2, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors and Finance Committee
International Development Enterprises and Subsidiaries
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited International Development Enterprises and Subsidiaries' (iDE) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of iDE's major federal programs for the year ended December 31, 2019. iDE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of iDE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about iDE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of iDE's compliance.

Opinion on Each Major Federal Program

In our opinion, iDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of iDE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered iDE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of iDE's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of International Development Enterprises and Subsidiaries as of and for the year ended December 31, 2019, and have issued our report thereon dated September 2, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Denver, Colorado
September 2, 2020

**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Agency for International Development				
Passed through Virginia Tech				
USAID Foreign Assistance for Programs Overseas	98.001	451364-19947 451622-19947 451364-19947A	\$ 17,406 -	\$ 84,853 5,977 79,103
Passed through CIMMYT				
USAID Foreign Assistance for Programs Overseas	98.001	None	-	959,827
Passed through Abt Associates Inc.				
USAID Foreign Assistance for Programs Overseas	98.001	Subcontract No. 48175 Subaward No. 49887	68,565	925,467 771,991
Passed through Project Concern International				
USAID Foreign Assistance for Programs Overseas	98.001	SUB-GRANT No. PCI-1203-SG-1600	-	36,470
Passed through CARE				
USAID Foreign Assistance for Programs Overseas	98.001	None	-	83,546
Passed through Tetra Tech/WASHPaLS				
USAID Foreign Assistance for Programs Overseas	98.001	WASHPaLS-G02-iDE	-	6,231
Total Expenditures for CFDA 98.001			85,971	2,953,465
Passed through Helen Keller International				
USAID Food for Peace Development Assistance Program	98.007	Subaward No. 21851-01-004	-	91,124
Total Expenditures for CFDA 98.007			-	91,124
Total Expenditures for U.S. Agency for International Development			85,971	3,044,589
U.S. Department of Agriculture				
Passed through TechnoServe, Inc.				
USDA Foreign Agriculture Service - Food for Progress	10.606	S-IDE01	-	308,196
Total Expenditures for U.S. Department of Agriculture			-	308,196
Total Expenditures of Federal Awards			\$ 85,971	\$ 3,352,785

See accompanying Notes to Schedule of Expenditures of Federal Awards.

INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of International Development Enterprises (iDE) for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of iDE, it is not intended to and does not present the financial position, changes in net assets, or cash flows of iDE.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

NOTE 3 INDIRECT COST RATE

iDE has elected to use an approved Negotiated Indirect Cost Rate Agreement for reimbursement of indirect costs by grantors as allowed under the Uniform Guidance and not the 10-percent de minimus indirect cost rate as allowed under Uniform Guidance.

**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
3. Noncompliance material to financial statements noted? yes no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Federal Programs

CFDA Number

98.001

Name of Federal Program or Cluster

USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs:

Type A - \$750,000; Type B - \$187,500

Auditee qualified as low-risk auditee?

yes no

**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

Section II – Financial Statement Findings

2019 – 001: Revenue Recognition

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: Current year revenue and donor-restricted net assets were understated and deferred revenue was overstated as a result of improper revenue recognition of two contribution agreements.

Criteria or specific requirement: In order to be in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), Accounting Standards Codification (ASC) 958-605-25 requires contributions to be recognized based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Organization is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measureable perform or other barrier and right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

Context: Accounting Standards Update 2018-08 was effective for iDE for the year ended December 31, 2019. During our audit procedures, we noted two nearly identical contributions were recognized as conditional contributions that should have been recognized as unconditional contributions in order to be in accordance with the updated Accounting Standards Update 2018-08 and U.S. GAAP.

Effect: The improper classification and revenue recognition of two contributions in the current year resulted in an understatement of revenue and donor-restricted net assets and an overstatement of deferred revenue of \$469,805.

Cause: At iDE, analysis and determination for revenue recognition within the Organization was handled by one person. The same error in revenue recognition determination and classification was made for two contribution agreements. These agreements were nearly identical agreements from the same donor and were different from iDE's typical funding agreements. No second review was in place by the Organization which could have helped catch the error. Reliance on a single person's judgement created the opportunity for the error to occur and not be caught by the Organization. The new type of funding agreement and the updated guidance contributed to the determination error by that staff member.

Recommendation: We recommend that management improve its process to analyze each funding arrangement during agreement negotiation and acceptance against U.S. GAAP revenue recognition guidance to determine appropriate revenue recognition over the term of each agreement. Evidence of the determination, and review and approval of the determination, should be documented and maintained to support revenue recognition for such agreements.

We also recommend that management update iDE's formal written revenue recognition policy in light of the updated Accounting Standards Update 2018-08 and U.S. GAAP. The policy should describe the basis for revenue recognition of all its major revenue streams under U.S. GAAP revenue recognition guidance. This policy document should include references to revenue recognition standards and how supporting modules and systems used by iDE recognize revenue in accordance with revenue recognition standards. The document should also address how proper cut-off of revenue recognition is achieved at year-end reporting. The document should also be continually revised as iDE enters into new funding arrangements, and as processes and supporting systems are changed.

Views of responsible officials and planned corrective actions: There is no disagreement with this finding.

**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2019**

U.S. Agency for International Development (USAID)

International Development Enterprises respectfully submits the following corrective action plan for the year ended December 31, 2019.

Audit period: January 1, 2019 – December 31, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2019-001 Revenue Recognition

Recommendation: We recommend that management improve its process to analyze each funding arrangement during agreement negotiation and acceptance against U.S. GAAP revenue recognition guidance to determine appropriate revenue recognition over the term of each agreement. Evidence of the determination, and review and approval of the determination, should be documented and maintained to support revenue recognition for such agreements.

We also recommend that management update iDE's formal written revenue recognition policy in light of the updated Accounting Standards Update 2018-08 and U.S. GAAP. The policy should describe the basis for revenue recognition of all its major revenue streams under U.S. GAAP revenue recognition guidance. This policy document should include references to revenue recognition standards and how supporting modules and systems used by iDE recognize revenue in accordance with revenue recognition standards. The document should also address how proper cut-off of revenue recognition is achieved at year-end reporting. The document should also be continually revised as iDE enters into new funding arrangements, and as processes and supporting systems are changed.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: iDE is taking the following steps to strengthen internal controls in order to remediate this deficiency:

1. iDE will institute a two-step review process that ensures at least two finance staff members have reviewed, agreed on, and documented the basis of the revenue recognition determination.
2. iDE will engage an external consultant to provide training on U.S. GAAP revenue recognition for all HQ-based finance staff. iDE's business development team will also participate in the training.



**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
CORRECTIVE ACTION PLAN (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

3. iDE's existing grant review checklist will be modified to include an explanation of the accounting treatment for revenue recognition to be applied for each grant.
4. iDE's financial policies and procedures shall be updated to reflect Accounting Standards Update 2018-08 as the basis for revenue recognition of all revenue streams under U.S. GAAP revenue recognition guidance.
5. All grants will be reviewed according to iDE's review procedures including the use of the updated grant review checklist referenced above within thirty days of the grant award date. Approved grant review checklists shall be maintained for all active grants.

Name of the contact person responsible for corrective action: John Passauer

Planned completion date for corrective action plan: December 31, 2020

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

There were no federal award audit findings in the current year that require a corrective action plan.

If the U.S. Agency for International Development has questions regarding this plan, please contact John Passauer at JPassauer@ideglobal.org.



**INTERNATIONAL DEVELOPMENT ENTERPRISES AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

U.S. Agency for International Development (USAID)

International Development Enterprises respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2019.

Audit period: January 1, 2018 – December 31, 2018

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program audit findings in the prior year.

If the U.S. Agency for International Development has questions regarding this schedule, please contact John Passauer at JPassauer@ideglobal.org.