

THE SOCIAL PERFORMANCE TASK FORCE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018



THE SOCIAL PERFORMANCE TASK FORCE, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The Social Performance Task Force, Inc.

We have audited the accompanying financial statements of The Social Performance Task Force, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Social Performance Task Force, Inc. as of December 31, 2018 and 2017, 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.

CaliberCPAGroup, PLLC

Bethesda, MD
June 27, 2019

THE SOCIAL PERFORMANCE TASK FORCE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,970,792	\$ 2,052,974
Accounts receivable	2,899	25,716
Grants receivable	3,902,171	1,579,183
Prepaid expenses	24,705	74,407
Property and equipment, net	<u>6,303</u>	<u>31,515</u>
Total assets	<u>\$ 5,906,870</u>	<u>\$ 3,763,795</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 139,874</u>	<u>\$ 82,108</u>
NET ASSETS		
Without donor restrictions	213,994	44,284
With donor restrictions	<u>5,553,002</u>	<u>3,637,403</u>
Total net assets	<u>5,766,996</u>	<u>3,681,687</u>
Total liabilities and net assets	<u>\$ 5,906,870</u>	<u>\$ 3,763,795</u>

See accompanying notes to financial statements.

THE SOCIAL PERFORMANCE TASK FORCE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Grant revenue	\$ -	\$ 3,746,720	\$ 3,746,720
Meeting revenue	168,545	-	168,545
In-kind donations	34,213	-	34,213
Interest income	8,158	-	8,158
Loss on currency translation	-	(120,153)	(120,153)
Other income	14,325	-	14,325
Net assets released from restriction	<u>1,710,968</u>	<u>(1,710,968)</u>	<u>-</u>
Total revenue and other support	<u>1,936,209</u>	<u>1,915,599</u>	<u>3,851,808</u>
EXPENSES			
Program services	<u>1,532,566</u>	<u>-</u>	<u>1,532,566</u>
Support services			
Fundraising	26,023	-	26,023
General and administrative	<u>207,910</u>	<u>-</u>	<u>207,910</u>
Total support services	<u>233,933</u>	<u>-</u>	<u>233,933</u>
Total expenses	<u>1,766,499</u>	<u>-</u>	<u>1,766,499</u>
CHANGE IN NET ASSETS	169,710	1,915,599	2,085,309
NET ASSETS			
Beginning of year	<u>44,284</u>	<u>3,637,403</u>	<u>3,681,687</u>
End of year	<u>\$ 213,994</u>	<u>\$ 5,553,002</u>	<u>\$ 5,766,996</u>

See accompanying notes to financial statements.

THE SOCIAL PERFORMANCE TASK FORCE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Grant revenue	\$ -	\$ 2,514,886	\$ 2,514,886
Meeting revenue	63,335	-	63,335
In-kind donations	-	-	-
Interests income	1,242	-	1,242
Loss on currency translation	-	130,742	130,742
Other income	31,670	-	31,670
Net assets released from restriction	<u>1,594,989</u>	<u>(1,594,989)</u>	<u>-</u>
Total revenue and other support	<u>1,691,236</u>	<u>1,050,639</u>	<u>2,741,875</u>
EXPENSES			
Program services	<u>1,369,651</u>	<u>-</u>	<u>1,369,651</u>
Support services			
Fundraising	72,623	-	72,623
General and administrative	<u>174,303</u>	<u>-</u>	<u>174,303</u>
Total support services	<u>246,926</u>	<u>-</u>	<u>246,926</u>
Total expenses	<u>1,616,577</u>	<u>-</u>	<u>1,616,577</u>
CHANGE IN NET ASSETS	74,659	1,050,639	1,125,298
NET ASSETS (DEFICIT)			
Beginning of year	(48,902)	2,605,291	2,556,389
Reclassification of net assets with donor restrictions releases (see Note 4)	<u>18,527</u>	<u>(18,527)</u>	<u>-</u>
End of year	<u>\$ 44,284</u>	<u>\$ 3,637,403</u>	<u>\$ 3,681,687</u>

See accompanying notes to financial statements.

THE SOCIAL PERFORMANCE TASK FORCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services							Support Services		
	Setting Standards	Promoting Standards	Assess Practices	Improve Practices	Report & Benchmark	Demonstrate Practices	Total	General and Administrative	Fundraising	Total
Salary, payroll taxes and benefits	\$ 28,425	\$ 178,394	\$ 4,971	\$ 177,460	\$ 8	\$ 22,145	\$ 411,403	\$ 110,669	\$ 20,389	\$ 542,461
Consulting fees	13,744	156,386	3,245	549,725	-	35,414	758,514	67,336	3,166	829,016
Accounting fees	4,432	20,692	882	25,552	5	2,187	53,750	10,664	2,066	66,480
Travel expense	2,574	72,809	42	53,514	-	122	129,061	408	-	129,469
Meeting expense	-	55,956	-	33,740	-	-	89,696	188	-	89,884
Operating expense	20	4,303	-	14,584	-	-	18,907	7,398	96	26,401
Business expense	4,815	8,691	174	22,779	1	562	37,022	11,247	306	48,575
In-Kind expense	-	34,213	-	-	-	-	34,213	-	-	34,213
Total	\$ 54,010	\$ 531,444	\$ 9,314	\$ 877,354	\$ 14	\$ 60,430	\$ 1,532,566	\$ 207,910	\$ 26,023	\$ 1,766,499

See accompanying notes to financial statements.

THE SOCIAL PERFORMANCE TASK FORCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services						Support Services			
	Setting Standards	Promoting Standards	Assess Practices	Improve Practices	Report & Benchmark	Demonstrate Practices	Total	General and Administrative	Fundraising	Total
Salary, payroll taxes and benefits	\$ 48,930	\$ 139,679	\$ 8,174	\$ 149,758	\$ 331	\$ 27,435	\$ 374,307	\$ 87,231	\$ 47,790	\$ 509,328
Consulting fees	43,331	201,746	4,450	389,479	1	67,049	706,056	55,733	19,879	781,668
Accounting fees	3,688	12,422	818	18,240	28	2,246	37,442	11,502	4,099	53,043
Travel expense	7,088	27,939	-	33,516	-	6,532	75,075	2,785	306	78,166
Meeting expense	-	90,634	-	43,440	-	-	134,074	832	-	134,906
Operating expense	-	5,349	-	9,350	-	1,223	15,922	6,260	-	22,182
Business expense	2,122	6,989	135	16,981	6	542	26,775	9,960	549	37,284
In-Kind expense	-	-	-	-	-	-	-	-	-	-
T total	\$ 105,159	\$ 484,758	\$ 13,577	\$ 660,764	\$ 366	\$ 105,027	\$ 1,369,651	\$ 174,303	\$ 72,623	\$ 1,616,577

See accompanying notes to financial statements.

THE SOCIAL PERFORMANCE TASK FORCE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,085,309	\$ 1,125,298
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	25,212	25,211
Changes in assets and liabilities		
Contributions receivable	(2,300,171)	(478,868)
Prepaid expenses	49,702	(74,407)
Accounts payable and accrued expenses	<u>57,766</u>	<u>3,959</u>
Net cash provided by (used for) operating activities	<u>(82,182)</u>	<u>601,193</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(82,182)	601,193
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,052,974</u>	<u>1,451,781</u>
End of year	<u>\$ 1,970,792</u>	<u>\$ 2,052,974</u>

See accompanying notes to financial statements.

THE SOCIAL PERFORMANCE TASK FORCE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND TAX STATUS

The Social Performance Task Force (the Organization) consists of approximately 3,000 members from all over the world and every microfinance stakeholder group: practitioners, donors and investors (multilateral, bilateral, and private), global, regional, and national associations and networks, technical assistance providers, rating agencies, academics, regulators, and others. Day-to-day operations of the Task Force are run by the Organization Secretariat, while a Board of Directors with representatives from all major stakeholder groups provides strategic leadership and oversight.

The Organization defines social performance as the effective translation of a microfinance organization's mission into practice: A double bottom line institution seeks both social and financial performance. In other words, it seeks both financial sustainability and the achievement of one or more social goals. Though each institution will have its own unique social goals, all institutions with a commitment to social performance share the broader purpose of increasing financial inclusion and creating benefits for clients, beginning with reducing client vulnerability.

The Organization has applied for and was granted tax exempt status from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code according to the determination letter dated July 2, 2014.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions, and net assets with donor restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification - The net assets are reported as follows:

- **Net assets without donor restrictions** - These net assets are available to finance the general operations of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its organizing documents.
- **Net assets with donor restrictions** - These net assets result from contributions and other inflows of assets, the use of which by the Organization is limited by donor-imposed time or purpose restrictions that are either temporary or permanent.

Cash and Cash Equivalents - For purposes of the statements of cash flows the Organization considers all short-term highly liquid investments, including certificates of deposit, with original maturities of three months or less to be cash equivalents.

Grants Receivable - Grants received or unconditionally pledged are recorded as support in the year the unconditional pledge is received. Certain grants receivable as of the years ended December 31, 2018 and 2017 are restricted with respect to time for periods spanning into 2019 and beyond are accordingly presented as net assets with donor restrictions. Management believes all receivables are fully collectible and no provision for allowance for doubtful accounts is deemed necessary.

In-kind Donations - In-kind donations are recorded at fair value on the date of contribution. In-kind donations totaled \$34,213 and \$0 for the years ending December 31, 2018 and 2017, respectively.

Revenue Recognition - Donor-restricted contributions are generally reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. All other contributions are reported as increases in net assets without donor restrictions. Recognition of a pledge as income occurs on the date the pledge is made or committed.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist primarily of cash and cash equivalents. Management believes the risk of loss associated with cash and cash equivalents is low because cash and cash equivalents are maintained in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. However, at various times throughout the year, including year-end, the Organization had cash and cash equivalents on deposit in one financial institution in amounts that exceed the federally insured amount. For the year ended December 31, 2018, the Organization had a cash balance on deposit that exceeded the amounts insured by the FDIC by approximately \$1,508,000.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - Certain expenses are allocated between program services, development and fundraising, and management and general expenses based upon specific identification at the time of payment. In addition, a portion of management and general expenses are allocated to program services and development and fundraising expenses in a proportion equal to their salary expense to total salary expense.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Property and Equipment - Property and equipment are recorded at cost and consist of the development of the Organization's website. Depreciation is computed using the straight-line method over the estimated useful life of the related asset.

Income Tax - The Organization accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the years ended December 31, 2018 and 2017, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Organization files returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.

New Accounting Pronouncement Adopted - During the year ended December 31, 2018, the Organization adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; requiring the presentation of investment return net of all external and direct internal expenses; modifying the presentation of underwater endowment funds and related disclosures. Accordingly, certain amounts previously reported for the year ended December 31, 2017 were reclassified to conform to the 2018 presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets previously reported as of December 31, 2017 were restated to conform to the presentation and disclosure requirements necessitated by the adoption of ASU 2016-14 as described above. Accordingly, net assets as of December 31, 2017 were restated as follows:

Net Asset Classes	As Previously Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 44,284	\$ -
Temporarily restricted net assets	3,637,403	-
Net assets without donor restrictions	-	44,284
Net assets with donor restrictions	<u>-</u>	<u>3,637,403</u>
 Total net assets	 <u>\$ 3,681,687</u>	 <u>\$ 3,681,687</u>

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018.

Total assets at year end	\$ 5,906,870
Less non-financial assets:	
Prepaid expenses	24,705
Property and equipment	<u>6,303</u>
Total financial assets at end of year	<u>31,008</u>
Less amounts unavailable for general expenditures within one year	
Long term grants receivable	<u>2,450,000</u>
Total financial assets available for general expenditure within one year	 <u>\$ 3,425,862</u>

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions result from gifts of cash or other assets with donor imposed restrictions that require that such resources be used in a later period or after a specified date or that the resources be used for a specified purpose. Net assets with donor restrictions are "released from restrictions" when the specified date passes, or amounts are expended for the

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

purpose specified. Unconditional promises to give a contribution in a future year are not available to be spent until the actual contribution is received, and accordingly, are included in net assets with donor restrictions until the contribution is received. Unconditional promises to give are reported as net assets without donor restrictions when the donor's intention is to support current-period activities.

Uncollected pledges are considered time restricted and are classified as net assets with donor restrictions. The uncollected pledges extend to future periods, and are considered time restricted and, as such, are classified as net assets with donor restrictions. At December 31, 2018 and 2017, temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Ford Foundation grant	\$ -	\$ 211,874
Agence Francaise de Developpement John D. and Catherine T. MacArthur Foundation	2,946,802	1,156,285
Swiss Agency for Development and Cooperation	-	2,090
Government of Luxembourg	1,385,404	2,221,155
CDC Group PLC	1,183,779	-
	<u>37,017</u>	<u>45,999</u>
	<u>\$ 5,553,002</u>	<u>\$ 3,637,403</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restriction met	\$ 818,562	\$ 592,950
Expiration to time restriction	<u>892,406</u>	<u>1,002,039</u>
	<u>\$ 1,710,968</u>	<u>\$ 1,594,989</u>

During 2018, the Organization made a reclassification of 2017 net assets with donor restrictions releases of \$18,757. This reclassification is presented in the 2017 statement of activities.

NOTE 5. RETIREMENT PLAN

The Organization provides retirement benefits through a 401(k) savings plan (the Plan) for all employees. Employees become participants in the Plan immediately upon employment. Under the Plan, the Organization offers a 50% match for employees in their first two years of employment, up to 1% of the employee's salary. For employees past their second year in employment, the Organization offers a 100% match up to 3% of their salary if budget permits. For the years ended December 31, 2018 and 2017, the Organization made contributions of \$13,662 and \$13,489, respectively.

NOTE 6. PROPERTY AND EQUIPMENT

As of December 31, 2018 and 2017, the property and equipment balance consisted of:

	<u>2018</u>	<u>2017</u>
Website Development	\$ 75,635	\$ 75,635
Less: accumulated depreciation	<u>(69,332)</u>	<u>(44,120)</u>
Net property and equipment	<u>\$ 6,303</u>	<u>\$ 31,515</u>

Depreciation expense totaled \$25,212 and \$25,211 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 27, 2019, which is the date the financial statements were available to be issued. The review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.