

MENENGAGE GLOBAL ALLIANCE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2018

MENENGAGE GLOBAL ALLIANCE

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December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MenEngage Global Alliance

We have audited the accompanying financial statements of MenEngage Global Alliance (the Organization), which comprise of the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 MenEngage Global Alliance as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, MenEngage Global Alliance has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
March 28, 2019

MENENGAGE GLOBAL ALLIANCE

Statement of Financial Position

December 31, 2018

Assets

Current Assets:

Cash and cash equivalents	\$ 1,129,643
Grants and contributions receivable	1,352,875
Prepaid expenses	<u>2,498</u>

Total current assets 2,485,016

Noncurrent Assets:

Grants and contributions receivable, net	652,931
Property and equipment, net	<u>4,251</u>

Total noncurrent assets 657,182

Total assets \$ 3,142,198

Liabilities and Net Assets**Liabilities**

Current Liabilities:

Accounts payable and accrued expenses	\$ 18,780
Accrued vacation	6,495
Subgrants payable	<u>68,391</u>

Total current liabilities 93,666

Net Assets

Without donor restrictions	322,121
With donor restrictions	<u>2,726,411</u>

Total net assets 3,048,532

Total liabilities and net assets \$ 3,142,198

See accompanying notes.

MENENGAGE GLOBAL ALLIANCE

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ -	\$ 175,327	\$ 175,327
Interest income	10,440	-	10,440
Other income	1,980	-	1,980
Foreign currency translation loss	(292,781)	-	(292,781)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	1,040,937	(1,040,937)	-
Total revenue and support	<u>760,576</u>	<u>(865,610)</u>	<u>(105,034)</u>
Expenses			
Program services:			
Core Activities	618,680	-	618,680
Prevention+	73,695	-	73,695
Amplify Change	11,527	-	11,527
Total program services	<u>703,902</u>	<u>-</u>	<u>703,902</u>
Supporting services:			
Management and general	382,598	-	382,598
Fundraising	11,695	-	11,695
Total supporting services	<u>394,293</u>	<u>-</u>	<u>394,293</u>
Total expenses	<u>1,098,195</u>	<u>-</u>	<u>1,098,195</u>
Change in Net Assets	(337,619)	(865,610)	(1,203,229)
Net Assets, beginning of year	<u>659,740</u>	<u>3,592,021</u>	<u>4,251,761</u>
Net Assets, end of year	<u>\$ 322,121</u>	<u>\$ 2,726,411</u>	<u>\$ 3,048,532</u>

See accompanying notes.

MENENGAGE GLOBAL ALLIANCE
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Core Activities	Prevention+	Amplify Change		Management and General	Fundraising		
Salaries, wages and related expenses	\$ 233,526	\$ 44,407	\$ 10,100	\$ 288,033	\$ 130,876	\$ 9,220	\$ 140,096	\$ 428,129
Travel and lodging	116,243	12,199	-	128,442	111,560	1,495	113,055	241,497
Subgrants	167,836	-	-	167,836	-	-	-	167,836
Accounting services	-	-	-	-	68,646	-	68,646	68,646
Rent	35,670	6,495	1,287	43,452	16,769	856	17,625	61,077
Professional fees	41,662	7,624	-	49,286	9,232	-	9,232	58,518
Events and meetings	10,754	496	-	11,250	16,687	-	16,687	27,937
Printing	5,133	1,470	-	6,603	5,931	-	5,931	12,534
Legal services	824	-	-	824	11,547	-	11,547	12,371
Information technology	3,815	743	93	4,651	1,808	96	1,904	6,555
Insurance	762	-	-	762	2,263	-	2,263	3,025
Depreciation	1,186	211	47	1,444	567	28	595	2,039
Office expenses	12	-	-	12	1,405	-	1,405	1,417
Other expenses	1,257	50	-	1,307	5,307	-	5,307	6,614
Total Expenses	\$ 618,680	\$ 73,695	\$ 11,527	\$ 703,902	\$ 382,598	\$ 11,695	\$ 394,293	\$ 1,098,195

See accompanying notes.

MENENGAGE GLOBAL ALLIANCE

Statement of Cash Flows

Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ (1,203,229)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,039
Foreign currency translation loss	292,781
Change in discount to present value	(50,341)
Change in operating assets and liabilities:	
Grants and contributions receivable	1,379,966
Prepaid expenses	(1,430)
Accounts payable and accrued expenses	(23,746)
Accrued vacation	5,455
Subgrants payable	<u>68,391</u>
Net cash provided by operating activities	<u>469,886</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	<u>(4,046)</u>
Net cash used in investing activities	<u>(4,046)</u>
Net Increase in Cash and cash equivalents	465,840
Cash and cash equivalents, beginning of year	<u>663,803</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,129,643</u></u>

See accompanying notes.

MENENGAGE GLOBAL ALLIANCE

Notes to Financial Statements

December 31, 2018

1. Change in Accounting Principles

Effective January 1, 2018, MenEngage Global Alliance (the Organization) adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

2. Nature of Operations

The Organization is a not-for-profit corporation organized under the laws of Washington DC in 2016. The Organization is organized for education and charitable purposes, including, but not limited to, building a global network of organizations with increased commitment and capacity to implement, document, and advocate for effective, evidence-based and structural interventions to engage boys and men in achieving gender equality. The Organization funds its program and supporting services primarily through grants and contributions.

3. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

MENENGAGE GLOBAL ALLIANCE

Notes to Financial Statements

December 31, 2018

3. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Property and Equipment

Property and equipment over \$1,000 with a projected useful life exceeding one year are capitalized and recorded at cost or fair value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of their useful lives or the life of the lease.

Subgrants Payable

Subgrants payable represents amounts owed to various organizations for support of grant programs at December 31, 2018. The Organization records a liability for subgrants when the commitments have been made. At December 31, 2018, all subgrant payable were payable within one year.

Classification of Net Assets

- *Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.
- *With Donor Restrictions* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time.

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as support with donor restrictions if they are received with donor or grantor stipulations that limit the use of donated assets. When a donor 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 restrictions. Revenue from all other sources is recognized when earned.

3. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The Organization's financial statements report certain categories of expenses that are attributable to program and supporting services of the Organization. These costs have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. Accordingly, certain costs that are directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. The expenses that are allocated include salaries, wages and related expenses which have been allocated based on estimates of time and effort, rent, information technology and depreciation expenses have been allocated based on employee count.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Organization for annual reporting periods beginning after December 31, 2018. Management is currently evaluating the impact of these Accounting Standard Updates on the Organization's financial statements.

MENENGAGE GLOBAL ALLIANCE

Notes to Financial Statements

December 31, 2018

4. Concentrations

The Organization maintains demand deposits with a financial institution that may, from time to time, exceed insurable limits. The Organization routinely assesses the financial condition of the institution and believes the risk of any loss is minimal.

During the year ended December 31, 2018, the Organization's entire grants and contributions revenue was received from two donors. The full balance of the Organization's grants and contributions receivable was due from one donor at December 31, 2018.

5. Grants and Contributions Receivable

Grants and contributions receivable is comprised of unconditional promises to give and is receivable as follows at December 31, 2018:

Receivable in less than one year	\$ 1,352,875
Receivable in one to five years	<u>676,437</u>
Total grants and contributions receivable	2,029,312
Less: present value discount	<u>(23,506)</u>
Grants and contributions receivable, net	<u>\$ 2,005,806</u>

Multi-year grants are discounted to their present value with a discount rate 3.6% over the period of the grants using an estimate of expected cash flows. The Organization has not recorded an allowance for uncollectible accounts, as management believes all amounts are fully collectible.

Grants and contributions receivable include foreign grants receivable in various currencies which were translated at the exchange rate in effect at December 31, 2018. At December 31, 2018, the foreign grants receivable included 18,000,000 Swedish Krona. A loss of \$292,781 from foreign currency translation for the year ended December 31, 2018.

6. Property and Equipment

The Organization held the following property and equipment at December 31, 2018:

Office equipment	\$ <u>6,790</u>
Total property and equipment	6,790
Less: accumulated depreciation	<u>(2,539)</u>
Property and equipment, net	<u>\$ 4,251</u>

MENENGAGE GLOBAL ALLIANCE

Notes to Financial Statements

December 31, 2018

7. Liquidity and Availability

The following schedule reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of donor-imposed restrictions within one year of this date:

Cash and cash equivalents	\$ 1,129,643
Grants and contributions receivable	<u>2,005,806</u>
Total financial assets	3,135,449
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions on the financial assets	<u>(2,726,411)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 409,038</u></u>

After unavailable financial assets are subtracted, as of December 31, 2018, the Organization has remaining financial assets equivalent to approximately one year of operating expenses based on the 2018 monthly budgeted run excluding grants and contract expense. In addition, the Organization operates with a balanced budget with its entire budget expenses are grant expenses and without any short or long term non-operating debt.

8. Leases

In May 2016, the Organization entered into a lease agreement for office space commencing May 1, 2016. In November 2018, the Organization amended the lease and extended the lease through May 2019. The lease is cancellable with three-month notice. Rent expense from these leases was \$61,077 for the year ended December 31, 2018.

At December 31, 2018, future minimum lease payments required under these operating leases is \$14,162 for the year ending December 31, 2019.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2018:

Subject to expenditures for specific purposes:	
Core Activities	\$ 2,692,115
Prevention+	<u>34,296</u>
Total net assets with donor restrictions	<u><u>\$ 2,726,411</u></u>

MENENGAGE GLOBAL ALLIANCE

Notes to Financial Statements

December 31, 2018

9. Net Assets with Donor Restrictions (continued)

During the year ended December 31, 2018, releases from net assets with donor restrictions were for the satisfaction of the following purpose restrictions:

Core Activities	\$ 950,248
Prevention+	<u>90,689</u>
Total net assets released from restrictions	<u>\$ 1,040,937</u>

10. Pension Plan

The Organization maintains a defined contribution pension plan for all eligible employees. The Organization allows unlimited contributions to the pension plan and contributes 8% of all qualified employee's salaries. The Organization contributed \$22,470 to the plan for the year ended December 31, 2018.

11. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2018, as the Organization had no taxable net unrelated business income. The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *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 year ended December 31, 2018 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At December 31, 2018, the statute of limitations for tax year 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 28, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.