

**Trickle Up Program, Inc.**  
**Financial Statements**  
**August 31, 2019**



# Trickle Up Program, Inc.

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## *Table of Contents*

*August 31, 2019*

	<b>Page(s)</b>
<i>Independent Auditors' Report</i> .....	<i>1-2</i>
<i>Statements of Financial Position</i> .....	<i>3</i>
<i>Statements of Activities and Changes in Net Assets</i> .....	<i>4</i>
<i>Statements of Functional Expenses</i> .....	<i>5-6</i>
<i>Statements of Cash Flows</i> .....	<i>7</i>
<i>Notes to Financial Statements</i> .....	<i>8-18</i>

## *Independent Auditors' Report*

To the Board of Directors of  
Trickle Up Program, Inc.

We have audited the accompanying financial statements of the Trickle Up Program, Inc., which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Trickle Up Program, Inc. as of August 31, 2019, 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.

**Adjustments to Prior Period Financial Statements**

The financial statements of Trickle Up Program, Inc. as of August 31, 2018, were audited by other auditors whose report dated January 24, 2019, expressed an unmodified opinion on those statements. As discussed in Note 17 to the financial statements, Trickle Up Program, Inc. has restated its 2018 financial statements to retrospectively apply the change in accounting of certain government grants. The other auditors reported on the financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 17 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Trickle Up Program, Inc.'s 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

*Mazars USA LLP*

January 29, 2020

## Trickle Up Program, Inc.

### Statements of Financial Position

August 31, 2019 and 2018

	2019	2018 (Restated - Note 17)
<b>Assets</b>		
Cash and cash equivalents	\$ 1,393,913	\$ 2,296,982
Accounts receivable	44,167	18,667
Pledges receivable	2,444,843	4,560,976
Prepaid expenses and other	94,979	65,433
Investments in marketable securities, at fair value	3,996,725	4,069,481
Property and equipment, net	112,442	113,650
Security deposits	41,659	39,661
	<u>8,128,728</u>	<u>11,164,850</u>
Total assets	<u>\$ 8,128,728</u>	<u>\$ 11,164,850</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 544,614	\$ 297,673
Salaries payable and compensation-related liabilities	322,921	252,048
Refundable grant	96,869	56,869
Refundable advance	250,000	250,000
Security deposit payable	4,800	4,800
Total liabilities	<u>1,219,204</u>	<u>861,390</u>
Commitments and Contingencies		
Net assets		
Without donor restrictions		
Undesignated	270,584	812,328
Board designated operating reserve	2,070,328	1,985,162
	<u>2,340,912</u>	<u>2,797,490</u>
With donor restrictions	4,568,612	7,505,970
Total net assets	<u>6,909,524</u>	<u>10,303,460</u>
Total liabilities and net assets	<u>\$ 8,128,728</u>	<u>\$ 11,164,850</u>

The accompanying notes are an integral part of these financial statements.

## Trickle Up Program, Inc.

### *Statements of Activities and Changes in Net Assets* *Years Ended August 31, 2019 and 2018*

	2019			2018 (Restated - Note 17)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Contributions	\$ 1,101,874	\$ 695,819	\$ 1,797,693	\$ 1,780,854	\$ 1,040,402	\$ 2,821,256
Bequests	1,500	-	1,500	10,000	-	10,000
Government grants and contracts	-	1,881,511	1,881,511	-	1,482,210	1,482,210
Donated services	173,160	-	173,160	166,752	-	166,752
Fundraising event income, net of direct expenses of \$119,669 and \$122,560 for 2019 and 2018, respectively	736,330	-	736,330	777,130	-	777,130
Interest income	9,683	-	9,683	3,309	-	3,309
Other income	36,083	-	36,083	34,467	-	34,467
Appropriations to operations	394,304	-	394,304	187,018	-	187,018
Transfer to board designated operating reserve	-	-	-	(500,000)	-	(500,000)
Net assets released from restrictions	5,472,193	(5,472,193)	-	4,198,258	(4,198,258)	-
Total revenue and support	<u>7,925,127</u>	<u>(2,894,863)</u>	<u>5,030,264</u>	<u>6,657,788</u>	<u>(1,675,646)</u>	<u>4,982,142</u>
Expenses						
Program services	6,791,074	-	6,791,074	5,111,761	-	5,111,761
Management and general	716,157	-	716,157	700,027	-	700,027
Fundraising	643,396	-	643,396	514,865	-	514,865
Total expenses	<u>8,150,627</u>	<u>-</u>	<u>8,150,627</u>	<u>6,326,653</u>	<u>-</u>	<u>6,326,653</u>
Change in net assets before nonoperating activities	<u>(225,500)</u>	<u>(2,894,863)</u>	<u>(3,120,363)</u>	<u>331,135</u>	<u>(1,675,646)</u>	<u>(1,344,511)</u>
Nonoperating activities						
Net investment income (Note 5)	68,922	51,809	120,731	159,889	179,907	339,796
Appropriations to operations	(300,000)	(94,304)	(394,304)	(99,500)	(87,518)	(187,018)
Transfer to board designated operating reserve	-	-	-	500,000	-	500,000
Total nonoperating activities	<u>(231,078)</u>	<u>(42,495)</u>	<u>(273,573)</u>	<u>560,389</u>	<u>92,389</u>	<u>652,778</u>
Change in net assets	(456,578)	(2,937,358)	(3,393,936)	891,524	(1,583,257)	(691,733)
Net assets, beginning of year	<u>2,797,490</u>	<u>7,505,970</u>	<u>10,303,460</u>	<u>1,905,966</u>	<u>9,089,227</u>	<u>10,995,193</u>
Net assets, end of year	<u>\$ 2,340,912</u>	<u>\$ 4,568,612</u>	<u>\$ 6,909,524</u>	<u>\$ 2,797,490</u>	<u>\$ 7,505,970</u>	<u>\$ 10,303,460</u>

The accompanying notes are an integral part of these financial statements.

## Trickle Up Program, Inc.

### Statements of Functional Expenses

Years Ended August 31, 2019

	2019								
	Program Implementation	Program Support	Technical Assistance	Research	Public Education	Total Program Services	Fundraising	Management & General	Total
Grant and partner support	\$ 2,028,834	\$ -	\$ -	\$ -	\$ -	\$ 2,028,834	\$ -	\$ -	\$ 2,028,834
Training and technical assistance	153,562	-	-	-	-	153,562	-	-	153,562
Salaries, payroll taxes and benefits	701,031	295,920	1,263,248	475,022	288,729	3,023,950	465,130	382,296	3,871,376
Travel	217,082	51,830	152,906	31,186	10,718	463,722	8,569	13,483	485,774
Professional fees	185,633	71,088	88,606	35,577	6,285	387,189	48,960	205,040	641,189
Legal	2,154	16,532	16,532	16,532	-	51,750	-	16,532	68,282
Special events	-	-	-	-	-	-	119,669	-	119,669
Occupancy	72,138	25,388	85,778	32,807	32,615	248,726	47,006	37,145	332,877
Office expenses	96,616	7,736	26,539	9,417	14,316	154,624	25,051	34,247	213,922
Public relations	14,647	-	648	-	118,659	133,954	22,243	-	156,197
Insurance	6,254	7,842	12,291	8,257	1,798	36,442	2,628	1,955	41,025
Depreciation and amortization	22,192	1,714	5,316	2,230	2,229	33,681	3,258	2,401	39,340
Other expenses	16,313	28,453	23,277	2,758	3,839	74,640	20,551	23,058	118,249
Total expenses	3,516,456	506,503	1,675,141	613,786	479,188	6,791,074	763,065	716,157	8,270,296
Less special events	-	-	-	-	-	-	(119,669)	-	(119,669)
Net expenses reported by function on the statement of activities	<u>\$ 3,516,456</u>	<u>\$ 506,503</u>	<u>\$ 1,675,141</u>	<u>\$ 613,786</u>	<u>\$ 479,188</u>	<u>\$ 6,791,074</u>	<u>\$ 643,396</u>	<u>\$ 716,157</u>	<u>\$ 8,150,627</u>

The accompanying notes are an integral part of these financial statements.

## Trickle Up Program, Inc.

### Statements of Functional Expenses

Years Ended August 31, 2018

	2018 (Restated - Note 17)								
	Program Implementation	Program Support	Technical Assistance	Research	Public Education	Total Program Services	Fundraising	Management & General	Total
Grant and partner support	\$ 1,055,491	\$ -	\$ -	\$ -	\$ -	\$ 1,055,491	\$ -	\$ -	\$ 1,055,491
Training and technical assistance	133,301	-	-	922	-	134,223	-	-	134,223
Salaries, payroll taxes and benefits	720,428	319,121	1,005,462	287,398	272,029	2,604,438	385,120	372,933	3,362,491
Travel	236,648	60,182	121,781	20,314	2,223	441,148	6,722	8,415	456,285
Professional fees	93,394	15,135	66,186	3,712	2,550	180,977	14,921	213,834	409,732
Legal	10,792	9,028	9,028	9,028	-	37,876	-	9,028	46,904
Special events	-	-	-	-	-	-	122,560	-	122,560
Occupancy	56,878	21,812	102,032	24,652	26,006	231,380	33,422	35,182	299,984
Office expenses	92,417	20,637	40,683	9,289	16,341	179,367	22,181	25,718	227,266
Public relations	3,776	5	272	6	144,065	148,124	25,300	9	173,433
Insurance	5,499	7,187	11,500	7,455	1,293	32,934	1,755	1,706	36,395
Depreciation and amortization	11,463	2,137	9,257	2,705	2,633	28,195	3,602	3,358	35,155
Other expenses	6,201	12,067	14,044	2,366	2,930	37,608	21,842	29,844	89,294
Total expenses	2,426,288	467,311	1,380,245	367,847	470,070	5,111,761	637,425	700,027	6,449,213
Less special events	-	-	-	-	-	-	(122,560)	-	(122,560)
Net expenses reported by function on the statement of activities	<u>\$ 2,426,288</u>	<u>\$ 467,311</u>	<u>\$ 1,380,245</u>	<u>\$ 367,847</u>	<u>\$ 470,070</u>	<u>\$ 5,111,761</u>	<u>\$ 514,865</u>	<u>\$ 700,027</u>	<u>\$ 6,326,653</u>

The accompanying notes are an integral part of these financial statements.

## Trickle Up Program, Inc.

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### *Statements of Cash Flows* *Years Ended August 31, 2019 and 2018*

	2019	2018 (Restated - Note 17)
Cash flows from operating activities		
Change in net assets	\$ (3,393,936)	\$ (691,733)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	39,340	35,155
Net realized and unrealized gains on investments	(39,786)	(271,935)
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(25,500)	-
Pledges receivable	2,116,133	1,866,249
Prepaid expenses and other	(29,546)	(10,692)
Accounts payable and accrued expenses	246,941	190,636
Salaries payable and compensation-related liabilities	70,873	54,616
Refundable grant	40,000	-
Security deposits	(1,998)	-
Net cash (used in) provided by operating activities	<u>(977,479)</u>	<u>1,172,296</u>
Cash flows from investing activities		
Proceeds from sale of investments	420,415	537,206
Purchases of investments	(307,873)	(1,145,969)
Purchase of property and equipment	(38,132)	(69,707)
Net cash provided by (used in) investing activities	<u>74,410</u>	<u>(678,470)</u>
Net (decrease) increase in cash and cash equivalents	(903,069)	493,826
Cash and cash equivalents, beginning of year	<u>2,296,982</u>	<u>1,803,156</u>
Cash and cash equivalents, end of year	<u>\$ 1,393,913</u>	<u>\$ 2,296,982</u>

The accompanying notes are an integral part of these financial statements.

# Trickle Up Program, Inc.

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## *Notes to Financial Statements* *Years Ended August 31, 2019 and 2018*

### **1. Organization**

Trickle Up Program, Inc. ("Trickle Up") was founded in 1979 and incorporated in 1981 as a not-for-profit corporation.

Trickle Up works to create a world in which it is unacceptable for anyone to live in ultrapovertry. Trickle Up inspires and supports the poorest and most vulnerable to build sustainable livelihoods and take their first transformative steps out of ultrapovertry.

Trickle Up's program activities include the following:

*Program Implementation:* the delivery and management of the Trickle Up core programs in Africa, Asia, Central America, including training, seed capital grants, local partner support, and field office operations.

*Program Support:* program design, program management, monitoring and evaluation, partnership development, reporting and other expenses required for Trickle Up headquarters to support the Trickle Up core program.

*Technical Assistance:* providing assistance to other organizations in applying Trickle Up expertise in ultrapovertry and livelihoods in the design and management of programs.

*Research:* discrete research projects conducted by Trickle Up to improve the quality and evidence base for programs serving people living in ultrapovertry.

In addition to managing its global operations from its New York office, Trickle Up maintains branch offices in Burkina Faso, India, and Guatemala. Trickle Up also has a significant presence in Uganda, Vietnam, Bangladesh and Mexico.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America. Trickle Up is required to report information regarding its net assets as follows:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Trickle Up reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without the donor restrictions and reported in the statement of activities as net assets released from restrictions.

## **Trickle Up Program, Inc.**

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

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, Trickle Up considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, excluding those held in its investment portfolio as part of its long-term investment strategies.

Cash balances in the United States, which comprise the majority of Trickle Up's cash balances, are maintained in two financial institutions which, at times, may exceed federally-insured limits. Trickle Up has not experienced any losses in such accounts. At August 31, 2019, Trickle Up's uninsured cash balance totaled approximately \$497,000. Trickle Up also maintains bank accounts in Burkina Faso, India and Guatemala. There is no loss insurance on these accounts. The balance of these accounts at August 31, 2019 and 2018 was approximately \$98,000 and \$147,000, respectively.

### **Government Grants**

Revenue from government grants is recognized when the expenses on the projects are incurred. Advances from government grants are deferred until the revenue is earned.

### **Contributions and Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

### **Investments and Fair Value Measurements**

Investments in marketable securities are valued at fair value. Unrealized gains and losses are included the statement of activities.

Investment income that is limited to specific uses by donor-imposed restrictions is reported as an increase in net assets with donor restrictions, and reclassified to net assets without donor restrictions when the restrictions are met.

Trickle Up follows the accounting standards for fair value measurement and disclosures for financial assets and liabilities which clarify the definition of fair value, prescribe methods for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and expand disclosure about the use of fair value measurements. The following table presents financial assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1 – Includes investments for which unadjusted quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full-term of the financial instrument.

## **Trickle Up Program, Inc.**

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Level 3 – Includes investments that are valued using unobservable inputs to the extent that relevant observable inputs are not available, representing the Partnership’s own assumptions about the assumptions that a market participant would use in valuing the investment, and that would be based on the best information available.

Alternative investments, which consist of a limited partnership interest that does not have a readily determinable fair value. The fair value of the investments in this class has been estimated using the net asset value of the Trickle Up’s ownership interest in partners’ capital and is not required to be categorized within the fair value hierarchy. The net asset value per share is estimated at fair value by the general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies.

Trickle Up reviews and evaluates the values provided by the general partner and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

### **Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets. Additions are capitalized, whereas costs of maintenance and repairs are charged to expense as incurred.

### **Grants Payable**

Unconditional grants to others are accrued at the time authorized. For grants which are conditional upon the recipient fulfilling certain obligations prior to receiving funds, the grants are accrued at the time those conditions are satisfied.

### **Functional Expenses**

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of Trickle Up are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas (indirect costs) have been allocated across program services and fundraising based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

### **In-Kind Support**

Trickle Up records the value of donated goods or specialized services based upon the fair market value at the date of donation. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Additionally, Trickle Up receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

### **Tax Status**

Trickle Up is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

## Trickle Up Program, Inc.

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### Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, “*Presentation of Financial Statement of Not-for-Profit Entities*” (Topic 958). The ASU 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 method 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 internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist 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. Trickle Up has adopted this pronouncement effective July 1, 2019.

### 3. Pledges Receivable, Net

Pledges receivable are expected to be collected as follows at August 31:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 2,444,843	\$ 2,711,590
Amounts due within one to three years	-	1,920,665
	<u>2,444,843</u>	<u>4,632,255</u>
Less: Discount to present value at 3%	-	(71,279)
	<u><u>\$ 2,444,843</u></u>	<u><u>\$ 4,560,976</u></u>

### 4. Property and Equipment

Property and equipment consist of the following at August 31:

	Estimated Useful Life in Years	<u>August 31,</u>	
		<u>2019</u>	<u>2018</u>
Leasehold improvements	2-3	\$ 110,706	\$ 95,927
Furniture and fixtures	5	46,823	23,468
Computer equipment and website	3	80,797	80,797
Vehicles	5	211,648	211,648
		<u>449,974</u>	<u>411,840</u>
Less: Accumulated depreciation		<u>(337,532)</u>	<u>(298,190)</u>
		<u><u>\$ 112,442</u></u>	<u><u>\$ 113,650</u></u>

Depreciation expense for the years ended August 31, 2019 and 2018 was \$39,340 and \$35,155, respectively.

## Trickle Up Program, Inc.

### 5. Investments

Investments at August 31, 2019 and 2018 are comprised of the following:

	2019				Measured at Net Asset Value
	Total	Level 1	Level 2	Level 3	
Money Market Funds	\$ 357,532	\$ 357,532	\$ -	\$ -	\$ -
Exchange Traded Funds - Equities	2,273,214	2,273,214	-	-	-
Exchange Traded Funds - Fixed Income	1,097,131	1,097,131	-	-	-
Limited Partnership	268,848	-	-	-	268,848
	<u>\$ 3,996,725</u>	<u>\$ 3,727,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,848</u>

  

	2018				Measured at Net Asset Value
	Total	Level 1	Level 2	Level 3	
Money Market Funds	\$ 402,225	\$ 402,225	\$ -	\$ -	\$ -
Exchange Traded Funds - Equities	2,115,708	2,115,708	-	-	-
Exchange Traded Funds - Fixed Income	1,024,303	1,024,303	-	-	-
Limited Partnership	527,245	-	-	-	527,245
	<u>\$ 4,069,481</u>	<u>\$ 3,542,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,245</u>

Investment in marketable securities are comprised of the following at August 31,:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money Market Funds	\$ 354,532	\$ 357,532	\$ 402,225	\$ 402,225
Exchange Traded Funds - Equities	1,510,925	2,273,214	1,294,282	2,115,708
Exchange Traded Funds - Fixed Income	1,054,775	1,097,131	1,055,782	1,024,303
Limited Partnership	250,000	268,848	500,000	527,245
	<u>\$ 3,170,232</u>	<u>\$ 3,996,725</u>	<u>\$ 3,252,289</u>	<u>\$ 4,069,481</u>

The limited partnership's investment strategy is to provide performance with competitive, equity-like risk-adjusted return through capital appreciation and current income. The limited partnership invests primarily in a diversified portfolio of common stocks and securities that are convertible into common stock and issued by both the United States and foreign companies. These convertible securities are typically either debt securities or preferred stocks that can be exchanged for common stock. The investment is redeemable on the last day of each calendar quarter, with 90 days prior notice.

Investment income is comprised of the following:

	2019	2018
Interest and dividends	\$ 81,665	\$ 68,551
Unrealized gain	33,484	263,147
Realized gain	6,302	8,788
Investment fees	(720)	(690)
	<u>\$ 120,731</u>	<u>\$ 339,796</u>

## Trickle Up Program, Inc.

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### 6. Endowment Funds

Trickle Up's endowment funds are donor-restricted endowment funds and are described in Note 1. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of Trickle Up has interpreted Connecticut General Statutes and the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds that are classified as with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, TUP classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the donor-restricted endowment is classified as with donor restrictions (purpose restriction) until those amounts are appropriated for expenditure by Trickle Up in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Trickle Up considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of TUP and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Trickle Up
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have had on Trickle Up
- (8) The investment policy of Trickle Up.

Trickle Up's endowment funds composition, by type of fund and net asset classification, are summarized as follows at August 31:

	Net Assets with Donor Restrictions		
	Accumulated Earnings	Endowment Corpus	Total
Balance, August 31, 2019	<u>\$ 242,825</u>	<u>\$ 1,398,390</u>	<u>\$ 1,641,215</u>
Balance, August 31, 2018	<u>\$ 285,350</u>	<u>\$ 1,398,390</u>	<u>\$ 1,683,740</u>

## Trickle Up Program, Inc.

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Changes in Trickle Up's endowment funds for the years ended August 31, 2019 and 2018 are summarized as follows:

	2019		
	Accumulated Earnings	Endowment Corpus	Total
Endowment funds, beginning of the year	\$ 285,350	\$ 1,398,390	\$ 1,683,740
Investment Return:			
Investment income	37,003	-	37,003
Net realized and unrealized gains	14,776	-	14,776
Total investment return	51,779	-	51,779
Appropriation and release of endowment assets for expenditures	(94,304)	-	(94,304)
Endowment funds, end of the year	\$ 242,825	\$ 1,398,390	\$ 1,641,215
	2018		
	Accumulated Earnings	Endowment Corpus	Total
Endowment funds, beginning of the year	\$ 192,961	\$ 1,398,390	\$ 1,591,351
Investment Return:			
Investment income	33,988	-	33,988
Net realized and unrealized gains	145,919	-	145,919
Total investment return	179,907	-	179,907
Appropriation and release of endowment assets for expenditures	(87,518)	-	(87,518)
Endowment funds, end of the year	\$ 285,350	\$ 1,398,390	\$ 1,683,740

Trickle Up has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Trickle Up must hold in perpetuity. Under this strategy, managed by the Finance Committee, assets are invested in cash, US Government obligations, exchange traded funds, mutual funds or index funds.

The equity portion of the portfolio is invested in funds which endeavor to follow market indices. Any fixed income portion is invested in instruments that are either comprised of US government obligations, or are otherwise insured by the United States federal government. Trickle Up has a policy of appropriating for distribution each year 6% of the average fair value for the preceding twelve quarters.

## Trickle Up Program, Inc.

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### 7. Donated Goods and Services

Trickle Up receives various goods and services which are valued at their fair value at the time of donation.

Such donations received have been included in donated services in the statement of activities and related expenses on the accompanying statement of functional expenses as follows for the year ended August 31:

	<u>2019</u>	<u>2018</u>
Legal	\$ 66,130	\$ 36,112
Public relations / video production	107,030	99,600
Advertising	<u>-</u>	<u>31,040</u>
	<u>\$ 173,160</u>	<u>\$ 166,752</u>

### 8. Employee Benefit Plan and Deferred Compensation

Trickle Up has a 403(b) retirement plan for all eligible U.S. employees. Trickle Up may contribute a one-to-one match of employee contributions up to 4% of the employee's salary and may make additional discretionary fixed contributions up to 3% of employees' salary. Pension expense under this plan amounted to \$52,390 and \$39,361 in matching contributions for the years ended August 31, 2019 and 2018, respectively. Discretionary fixed contributions totaled \$46,521 and \$38,059 for the years ended August 31, 2019 and 2018, respectively.

Trickle Up has a retirement plan for all eligible India employees. Trickle Up contributes a match of 12% of the employee's salary to Public Provident Fund for each employee who contributes at least 5% of their salary. Pension expense under this plan amounted to \$16,659 and \$18,597 for the year ended August 31, 2019 and 2018, respectively.

In compliance with local labor laws, Trickle Up is required to provide compensation to qualified regional office employees in Burkina Faso, India and Guatemala upon termination of employment. The balance of the deferred compensation liability is \$100,077 and \$88,892 for the years ended August 31, 2019 and 2018, respectively.

### 9. Refundable Advances

Trickle Up received a term endowment grant in the amount of \$250,000. The grant has a five-year term expiring on March 3, 2024. Upon the expiration of the term, the donor has the right to request repayment of the endowment. Accordingly, this amount has been recognized as a refundable advance in the accompanying financial statements. During the term of the grant, Trickle Up may use any investment earnings for its general operations.

### 10. Letter of Credit

A letter of credit in the amount of \$37,132 has been issued on behalf of Trickle Up by a financial institution. The beneficiary is a lessor of its current office space which requires it as part of the leasing arrangement. The letter of credit is set to expire on October 31, 2021.

## Trickle Up Program, Inc.

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### 11. Net Assets Without Donor Restrictions

Trickle Up maintains a Board Designated Operating Reserve, and has adopted a policy to set forth its uses, including borrowings for use in operations and to fund approved programmatic and operating initiatives.

Appropriations of \$300,000 and \$99,500 were approved for use in operations for the years ended August 31, 2019 and 2018, respectively. Transfers from operations to the board designated reserve totaled \$500,000 during the year ended August 31, 2018. There were no transfers to the board designated reserve during the year ended August 31, 2019.

In addition, the fiscal year 2018 and 2017 operating surplus of \$331,135 and \$208,822 was transferred to the reserve during the year ended August 31, 2019 and 2018, respectively. Investment income for the years ended August 31, 2019 and 2018 increased the reserve by \$54,031 and \$134,955, respectively.

### 12. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	August 31,	
	2019	2018
Program activities	\$ 2,927,397	\$ 5,822,230
Held as endowment and subject to spending policy:		
Accumulated earnings on investments	242,825	285,350
To be held in perpetuity	1,398,390	1,398,390
	<u>\$ 4,568,612</u>	<u>\$ 7,505,970</u>

### 13. Commitments and Contingencies

Trickle Up rents office space in New York City under a long-term non-cancelable operating lease expiring through July 2021. Approximate future minimum rental payments under long-term non-cancelable operating lease are as follows:

Year Ending August 31,	
2020	\$ 234,513
2021	<u>220,867</u>
	<u>\$ 455,380</u>

Rent expense charged to operations for the years ended August 31, 2019 and 2018 was \$274,146 and \$252,492, respectively.

## Trickle Up Program, Inc.

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Trickle Up was the recipient of a cooperative agreement from the United States Agency for International Development (USAID) for work in Mali. In March 2012, a military coup interrupted program operations and resulted in the cancellation of the remaining grant period. USAID informed Trickle Up that a portion of the final expenses was being disallowed, and requested reimbursement of \$78,865. Trickle Up submitted an appeal to USAID, proposing the return of \$56,869. Accordingly, \$56,869 is included in refundable grant in the accompanying statements of financial position. These funds will be held until a determination has been made by USAID.

Pursuant to the memorandums of understanding with its local implementing partner organizations, Trickle Up provides grants to some of its local partners to implement programmatic activities, including seed capital grants and training for individual participants to assist them in starting or expanding a business or income-generating activity. Payments are due to partners based on a schedule related to program implementation, with each payment subject to the partner satisfying certain conditions, programmatic and reporting requirements. Trickle Up expects to provide funding of approximately \$1,412,149 during the year ending August 31, 2020 pursuant to its existing memorandums of understanding. These amounts have not been recorded as a liability in the accompanying financial statements since they are conditional.

Government supported programs are subject to audit by the applicable granting agencies.

### 14. Liquidity and Availability of Resources

Trickle Up's financial assets available within one year of the statements of financial position date for general expenditures is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,393,913	\$ 2,296,982
Accounts receivable	44,167	18,667
Pledges receivable	2,444,843	4,560,976
Investments, at fair value	<u>3,996,725</u>	<u>4,069,481</u>
Total financial assets available	<u>7,879,648</u>	<u>10,946,106</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors in perpetuity	1,641,215	1,683,740
Restricted by donors with purpose restrictions	<u>2,927,397</u>	<u>5,822,230</u>
Total amounts unavailable for general expenditure within one year	<u>4,568,612</u>	<u>7,505,970</u>
Amounts unavailable to management without Board's approval:		
Board designated operating reserve	<u>2,070,328</u>	<u>1,985,162</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,240,708</u>	<u>\$ 1,454,974</u>

## **Trickle Up Program, Inc.**

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### *Liquidity Management*

Trickle Up maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Trickle Up's working capital and cash flows have variations during the year attributable to the timing of its programs and cash collections.

### **15. Concentrations**

Approximately 40% and 31% of Trickle Up's revenue and support for the year ended August 31, 2019 and 2018, respectively, is derived from federal government grants. The current level of the Trickle Up's operations and program services may be impacted if the funding is not renewed. Other significant support is provided in the form of contributions by foundations, corporations and individuals and was approximately 38% and 59% of Trickle Up's revenue and support for the year ended August 31, 2019 and 2018, respectively.

Approximately 27% of total revenue and support for the year ended August 31, 2019 was from one government agency, and approximately 20% of total revenue and support for the year ended August 31, 2018 was from one government agency. As of August 31, 2019 and 2018, amounts due from one foundation comprised approximately 79% and 78% of pledges receivable, respectively.

### **16. Trickle Up Program India**

Pursuant to a license agreement, Trickle Up has granted use of its logos and marks to Trickle Up Program, India, an association formed by Indian citizens as a limited liability company in India pursuant to Section 8 of the Companies Act of 1956. This entity was established to promote the development of microenterprise in India, with a focus similar to Trickle Up on the extreme poor, women, and people with disabilities.

While a separate legal entity, Trickle Up works closely with Trickle Up Program, India as an extension of its own program activities, providing technical, other advising services, and assisting with publicity, fundraising and community programs and activities.

### **17. Prior Period Adjustment**

Trickle Up's 2018 financial statements have been retroactively restated to correct the recording of \$321,708 of government grants. The grants were incorrectly reported as revenue and receivables in 2018.

### **18. Subsequent Events**

Trickle Up has evaluated subsequent events through January 29, 2020, the date the financial statements were available for issuance.

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