

Trickle Up Program, Inc.

Financial Statements
August 31, 2021 and 2020

mazars

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Trickle Up Program, Inc.

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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 statements of financial position as of August 31, 2021 and 2020, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Trickle Up Program, Inc. as of August 31, 2021 and 2020, 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.

Mazars USA LLP

January 14, 2022

Trickle Up Program, Inc.

Statements of Financial Position August 31, 2021 and 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,524,005 | \$ 2,808,505 |
| Accounts receivable | 44,069 | 9,459 |
| Pledges receivable | 407,618 | 713,061 |
| Prepaid expenses and other | 98,196 | 111,250 |
| Investments | 4,580,254 | 4,168,314 |
| Property and equipment, net | 14,429 | 73,032 |
| Security deposits | 41,559 | 41,659 |
| | <u>7,710,130</u> | <u>7,925,280</u> |
| Total assets | <u>\$ 7,710,130</u> | <u>\$ 7,925,280</u> |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 74,282 | \$ 283,338 |
| Salaries payable and compensation-related liabilities | 244,217 | 288,746 |
| Note payable | 518,452 | 437,094 |
| Refundable grants | 56,869 | 56,869 |
| Refundable advance | 250,000 | 250,000 |
| Security deposit payable | 4,800 | 4,800 |
| Total liabilities | <u>1,148,620</u> | <u>1,320,847</u> |
| Commitments and Contingencies | | |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 461,138 | 315,475 |
| Board designated operating reserve | 2,143,026 | 2,085,592 |
| | <u>2,604,164</u> | <u>2,401,067</u> |
| With donor restrictions | 3,957,346 | 4,203,366 |
| Total net assets | <u>6,561,510</u> | <u>6,604,433</u> |
| Total liabilities and net assets | <u>\$ 7,710,130</u> | <u>\$ 7,925,280</u> |

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

Trickle Up Program, Inc.

Statements of Activities Years Ended August 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support | | | | | | |
| Contributions | \$ 1,357,454 | \$ 1,267,661 | \$ 2,625,115 | \$ 1,481,911 | \$ 2,309,283 | \$ 3,791,194 |
| Bequests | - | 31,528 | 31,528 | - | - | - |
| Government grants and contracts | 437,094 | 518,384 | 955,478 | - | 575,635 | 575,635 |
| Consulting income | 40,000 | - | 40,000 | - | - | - |
| Donated services | 144,070 | - | 144,070 | 324,312 | - | 324,312 |
| Fundraising event income, net of direct expenses of \$2,341 and \$0 for 2021 and 2020, respectively | 685,467 | - | 685,467 | 672,822 | - | 672,822 |
| Interest income | 1,347 | - | 1,347 | 1,854 | - | 1,854 |
| Other income | 38,723 | - | 38,723 | 40,047 | - | 40,047 |
| Appropriations to operations | 299,520 | - | 299,520 | 206,935 | - | 206,935 |
| Net assets released from restrictions | 2,370,270 | (2,370,270) | - | 3,417,498 | (3,417,498) | - |
| Total revenue and support | <u>\$ 5,373,945</u> | <u>\$ (552,697)</u> | <u>\$ 4,821,248</u> | <u>\$ 6,145,379</u> | <u>\$ (532,580)</u> | <u>\$ 5,612,799</u> |
| Expenses | | | | | | |
| Program services | 3,993,654 | - | 3,993,654 | 4,792,372 | - | 4,792,372 |
| Management and general | 674,958 | - | 674,958 | 624,152 | - | 624,152 |
| Fundraising | 706,503 | - | 706,503 | 714,514 | - | 714,514 |
| Total expenses | <u>\$ 5,375,115</u> | <u>\$ -</u> | <u>\$ 5,375,115</u> | <u>\$ 6,131,039</u> | <u>\$ -</u> | <u>\$ 6,131,039</u> |
| Change in net assets before nonoperating activities | <u>(1,170)</u> | <u>(552,697)</u> | <u>(553,867)</u> | <u>14,340</u> | <u>(532,580)</u> | <u>(518,240)</u> |
| Nonoperating activities | | | | | | |
| Net investment income (Note 5) | 404,267 | 406,197 | 810,464 | 170,815 | 249,269 | 420,084 |
| Appropriations to operations | (200,000) | (99,520) | (299,520) | (125,000) | (81,935) | (206,935) |
| Total nonoperating activities | <u>204,267</u> | <u>306,677</u> | <u>510,944</u> | <u>45,815</u> | <u>167,334</u> | <u>213,149</u> |
| Change in net assets | 203,097 | (246,020) | (42,923) | 60,155 | (365,246) | (305,091) |
| Net assets, beginning of year | <u>2,401,067</u> | <u>4,203,366</u> | <u>6,604,433</u> | <u>2,340,912</u> | <u>4,568,612</u> | <u>6,909,524</u> |
| Net assets, end of year | <u>\$ 2,604,164</u> | <u>\$ 3,957,346</u> | <u>\$ 6,561,510</u> | <u>\$ 2,401,067</u> | <u>\$ 4,203,366</u> | <u>\$ 6,604,433</u> |

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

Trickle Up Program, Inc.

Statements of Functional Expenses Year Ended August 31, 2021

| | 2021 | | | | | | | | |
|---|---------------------------|--------------------|-------------------------|-------------------|---------------------|---------------------------|-------------------|-------------------------|---------------------|
| | Program Implementation | Program Support | Technical Assistance | Research | Public Education | Total Program Services | Fundraising | Management & General | Total |
| Grant and partner support | \$ 925,854 | \$ - | \$ - | \$ - | \$ - | \$ 925,854 | \$ - | \$ - | \$ 925,854 |
| Training and technical assistance | 60,572 | - | - | - | - | 60,572 | - | - | 60,572 |
| | 554,344 | 429,769 | 614,550 | 262,912 | 259,121 | | 571,330 | 300,829 | |
| Salaries, payroll taxes and benefits | | | | | | 2,120,696 | | | 2,992,855 |
| Travel | 91,371 | 3,998 | 16,518 | 1,051 | - | 112,938 | 276 | 500 | 113,714 |
| Professional fees | 175,086 | 40,882 | 1,072 | 32,674 | 6,541 | 256,255 | 24,983 | 253,866 | 535,104 |
| Legal | 6,164 | 12,004 | 12,004 | 12,004 | - | 42,176 | - | 12,004 | 54,180 |
| Special events | - | - | - | - | - | - | 2,341 | - | 2,341 |
| Occupancy | 48,371 | 25,798 | 25,785 | 17,436 | 18,835 | 136,225 | 34,856 | 19,837 | 190,918 |
| Office expenses | 68,308 | 10,468 | 14,749 | 6,834 | 13,977 | 114,336 | 26,746 | 40,469 | 181,551 |
| Public relations | 4,537 | - | 1,483 | - | 96,332 | 102,352 | 25,501 | 171 | 128,024 |
| Insurance | 2,005 | 8,775 | 10,603 | 7,957 | 1,870 | 31,210 | 3,459 | 2,075 | 36,744 |
| Depreciation and amortization | 11,311 | 2,188 | 2,236 | 1,505 | 1,576 | 18,816 | 2,914 | 1,594 | 23,324 |
| Other expenses | 36,721 | 17,986 | 11,496 | 2,745 | 3,276 | 72,224 | 16,438 | 43,613 | 132,275 |
| Total expenses | 1,984,644 | 551,868 | 710,496 | 345,118 | 401,528 | 3,993,654 | 708,844 | 674,958 | 5,377,456 |
| Less special events | - | - | - | - | - | - | (2,341) | - | (2,341) |
| Net expenses reported by function on the statement of activities | <u>\$ 1,984,644</u> | <u>\$ 551,868</u> | <u>\$ 710,496</u> | <u>\$ 345,118</u> | <u>\$ 401,528</u> | <u>\$ 3,993,654</u> | <u>\$ 706,503</u> | <u>\$ 674,958</u> | <u>\$ 5,375,115</u> |

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

Trickle Up Program, Inc.

Statements of Functional Expenses Year Ended August 31, 2020

| | 2020 | | | | | | | | Total |
|--|------------------------|-------------------|----------------------|-------------------|-------------------|------------------------|-------------------|----------------------|---------------------|
| | Program Implementation | Program Support | Technical Assistance | Research | Public Education | Total Program Services | Fundraising | Management & General | |
| Grant and partner support | \$ 1,070,385 | \$ - | \$ - | \$ - | \$ - | \$ 1,070,385 | \$ - | \$ - | \$ 1,070,385 |
| Training and technical assistance | 48,025 | - | - | - | - | 48,025 | - | - | 48,025 |
| Salaries, payroll taxes and benefits | 662,613 | 376,774 | 749,578 | 387,008 | 273,263 | 2,449,236 | 546,743 | 360,758 | 3,356,737 |
| Travel | 105,049 | 34,581 | 26,731 | 7,418 | 4,934 | 178,713 | 3,373 | 5,483 | 187,569 |
| Professional fees | 182,765 | 51,720 | 16,234 | 973 | 13,479 | 265,170 | 28,882 | 146,107 | 440,159 |
| Legal | 177 | 16,663 | 16,663 | 16,663 | - | 50,166 | - | 16,663 | 66,829 |
| Occupancy | 69,019 | 39,979 | 51,523 | 39,969 | 30,703 | 231,193 | 56,784 | 42,134 | 330,112 |
| Office expenses | 54,578 | 9,754 | 11,971 | 8,938 | 13,660 | 98,901 | 24,609 | 29,794 | 153,304 |
| Public relations | 2,788 | - | 1,735 | - | 266,044 | 270,567 | 26,404 | - | 296,970 |
| Insurance | 5,879 | 8,903 | 11,269 | 8,903 | 1,609 | 36,564 | 2,976 | 2,186 | 41,726 |
| Depreciation and amortization | 22,194 | 2,639 | 3,405 | 2,639 | 2,028 | 32,906 | 3,750 | 2,755 | 39,410 |
| Other expenses | 28,467 | 13,806 | 14,302 | 2,524 | 1,448 | 60,547 | 20,995 | 18,272 | 99,813 |
| Total expenses | 2,251,940 | 554,819 | 903,410 | 475,036 | 607,167 | 4,792,372 | 714,514 | 624,152 | 6,131,039 |
| Less special events | - | - | - | - | - | - | - | - | - |
| Net expenses reported by function on the statement of activities | <u>\$ 2,251,940</u> | <u>\$ 554,819</u> | <u>\$ 903,410</u> | <u>\$ 475,036</u> | <u>\$ 607,167</u> | <u>\$ 4,792,372</u> | <u>\$ 714,514</u> | <u>\$ 624,152</u> | <u>\$ 6,131,039</u> |

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

Trickle Up Program, Inc.

Statements of Cash Flows Years Ended August 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (42,923) | \$ (305,091) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 23,324 | 39,410 |
| Net realized and unrealized gains on investments | (743,679) | (340,889) |
| Loss on disposal of property and equipment | 23,510 | - |
| Forgiveness of note payable | (437,094) | - |
| Contributions restricted for long term investments | (31,528) | - |
| Increase (decrease) in cash resulting from changes in operating assets and liabilities: | | |
| Accounts receivable | (34,610) | 34,708 |
| Pledges receivable | 305,443 | 1,731,782 |
| Prepaid expenses and other | 13,054 | (16,271) |
| Accounts payable and accrued expenses | (209,056) | (261,276) |
| Salaries payable and compensation-related liabilities | (44,529) | (34,175) |
| Note payable | 518,452 | 437,094 |
| Refundable grant | - | (40,000) |
| Security deposits | 100 | - |
| Net cash (used in) provided by operating activities | <u>(659,536)</u> | <u>1,245,292</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of investments | 398,408 | 248,490 |
| Purchases of investments | (66,669) | (79,190) |
| Proceeds from sale of property and equipment | 11,769 | - |
| Net cash provided by investing activities | <u>343,508</u> | <u>169,300</u> |
| Cash flows from financing activities | | |
| Investment in perpetual endowment | 31,528 | - |
| Net cash provided by financing activities | <u>31,528</u> | <u>-</u> |
| Net (decrease) increase in cash and cash equivalents | (284,500) | 1,414,592 |
| Cash and cash equivalents, beginning of year | <u>2,808,505</u> | <u>1,393,913</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,524,005</u> | <u>\$ 2,808,505</u> |

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

Trickle Up Program, Inc.

Notes to Financial Statements Years Ended August 31, 2021 and 2020

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 (closed during 2021), 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.

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.

Trickle Up Program, Inc.

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, 2021, Trickle Up's uninsured cash balance totaled approximately \$287,000. 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, 2021 and 2020 was approximately \$35,000 and \$93,000, 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 and recorded as refundable advances in the statement of financial position.

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.

Revenue Recognition

Consulting income is recognized over time as the services are performed.

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 is 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.

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 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 Program, Inc.

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.

3. Pledges Receivable, Net

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

| | 2021 | 2020 |
|-----------------------------------|------------|------------|
| Amounts due in less than one year | \$ 407,618 | \$ 713,061 |

4. Property and Equipment

Property and equipment consist of the following at August 31:

| | Estimated Useful Life in Years | August 31, | |
|--------------------------------|-----------------------------------|------------|------------|
| | | 2021 | 2020 |
| Leasehold improvements | 2-3 | \$ 110,706 | \$ 110,706 |
| Furniture and fixtures | 5 | 46,823 | 46,823 |
| Computer equipment and website | 3 | 80,797 | 80,797 |
| Vehicles | 5 | 76,092 | 211,648 |
| | | 314,418 | 449,974 |
| Less: Accumulated depreciation | | (299,989) | (376,942) |
| | | \$ 14,429 | \$ 73,032 |

Depreciation expense for the years ended August 31, 2021 and 2020 was \$23,324 and \$39,410 respectively.

Trickle Up Program, Inc.

5. Investments

Investments at August 31, 2021 and 2020 are comprised of the following:

| | 2021 | | | | Measured at Net Asset Value |
|--------------------------------------|---------------------|---------------------|-------------|-------------|-----------------------------------|
| | Total | Level 1 | Level 2 | Level 3 | |
| Money Market Funds | \$ 151,855 | \$ 151,855 | \$ - | \$ - | \$ - |
| Exchange Traded Funds - Equities | 2,921,391 | 2,921,391 | - | - | - |
| Exchange Traded Funds - Fixed Income | 1,228,843 | 1,228,843 | - | - | - |
| Limited Partnership | 278,165 | - | - | - | 278,165 |
| | <u>\$ 4,580,254</u> | <u>\$ 4,302,089</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 278,165</u> |

| | 2020 | | | | Measured at Net Asset Value |
|--------------------------------------|---------------------|---------------------|-------------|-------------|-----------------------------------|
| | Total | Level 1 | Level 2 | Level 3 | |
| Money Market Funds | \$ 234,853 | \$ 234,853 | \$ - | \$ - | \$ - |
| Exchange Traded Funds - Equities | 2,584,907 | 2,584,907 | - | - | - |
| Exchange Traded Funds - Fixed Income | 1,123,095 | 1,123,095 | - | - | - |
| Limited Partnership | 225,459 | - | - | - | 225,459 |
| | <u>\$ 4,168,314</u> | <u>\$ 3,942,855</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 225,459</u> |

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

| | 2021 | | 2020 | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Money Market Funds | \$ 151,855 | \$ 151,855 | \$ 234,853 | \$ 234,853 |
| Exchange Traded Funds - Equities | 1,396,712 | 2,921,391 | 1,495,454 | 2,584,907 |
| Exchange Traded Funds - Fixed Income | 1,167,641 | 1,228,843 | 1,040,931 | 1,123,095 |
| Limited Partnership | 250,000 | 278,165 | 250,000 | 225,459 |
| | <u>\$ 2,966,208</u> | <u>\$ 4,580,254</u> | <u>\$ 3,021,238</u> | <u>\$ 4,168,314</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:

| | 2021 | 2020 |
|------------------------|-------------------|-------------------|
| Interest and dividends | \$ 67,235 | \$ 79,735 |
| Unrealized gain | 466,970 | 323,585 |
| Realized gain | 276,709 | 17,304 |
| Investment fees | (450) | (540) |
| | <u>\$ 810,464</u> | <u>\$ 420,084</u> |

6. Endowment Funds

Trickle Up's endowment funds are donor-restricted endowment funds. 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

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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, 2021 | \$ 716,835 | \$ 1,429,918 | \$ 2,146,753 |
| Balance, August 31, 2020 | \$ 410,158 | \$ 1,398,390 | \$ 1,808,548 |

Changes in Trickle Up's endowment funds for the years ended August 31, 2021 and 2020 are summarized as follows:

| | 2021 | | |
|--|-------------------------|---------------------|--------------|
| | Accumulated Earnings | Endowment Corpus | Total |
| Endowment funds, beginning of the year | \$ 410,158 | \$ 1,398,390 | \$ 1,808,548 |
| Contributions | | 31,528 | 31,528 |
| Investment Return: | | | |
| Investment income | 31,487 | - | 31,487 |
| Net realized and unrealized gains | 374,710 | - | 374,710 |
| Total investment return | 406,197 | 31,528 | 437,725 |
| Appropriation and release of endowment assets for expenditures | (99,520) | - | (99,520) |
| Endowment funds, end of the year | \$ 716,835 | \$ 1,429,918 | \$ 2,146,753 |

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| | 2020 | | |
|---|-------------------------|---------------------|--------------|
| | Accumulated Earnings | Endowment Corpus | Total |
| Endowment funds, beginning of the year | \$ 242,825 | \$ 1,398,390 | \$ 1,641,215 |
| Investment Return: | | | |
| Investment income | 37,355 | - | 37,355 |
| Net realized and unrealized gains | 211,913 | - | 211,913 |
| Total investment return | 249,268 | - | 249,268 |
| Appropriation and release of endowment assets for expenditures | (81,935) | - | (81,935) |
| Endowment funds, end of the year | \$ 410,158 | \$ 1,398,390 | \$ 1,808,548 |

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.

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:

| | 2021 | 2020 |
|-------------------------------------|------------|------------|
| Legal | \$ 48,015 | \$ 66,653 |
| Public relations / video production | 96,055 | 257,659 |
| | \$ 144,070 | \$ 324,312 |

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 \$31,927 and \$56,040 in matching contributions for the years ended August 31, 2021 and 2020, respectively. Discretionary fixed contributions totaled \$16,303 and \$50,270 for the years ended August 31, 2021 and 2020, 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 \$23,012 and \$18,659 for the year ended August 31, 2021 and 2020, 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 \$123,024 and \$112,387 for the years ended August 31, 2021 and 2020, respectively.

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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. Note Payable

On April 9, 2020, Trickle Up secured a loan from a bank for \$437,094 through the U.S. Small Business Administration's Paycheck Protection Program. The loan has an interest rate of .98% and matures at April 9, 2022. On March 2, 2021, Trickle Up secured another round of loan from a bank for \$518,452 under the U.S. Small Business Administration's Paycheck Protection Program with the same general terms as the first loan. Trickle Up expects that a portion or all of the loans may be forgiven in accordance with the provision of the Paycheck Protection Program.

Trickle Up is following the provisions of ASC 405-20-1 which states a debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met:

- The debtor pays the creditor and is relieved of its obligation for the liability.
- The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Accordingly, Trickle Up will record forgiveness of debt for amounts forgiven under the Paycheck Protection Program when such amounts are formally forgiven.

On January 25, 2021, Trickle Up received notification of forgiveness of debt in the amount of \$437,094 in connection with the first loan. Accordingly, the amount is reflected in government grants and contracts in the accompanying statement of activities. The second loan was subsequently formally forgiven on October 22, 2021.

11. 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.

12. 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 \$200,000 and \$125,000 were approved for use in operations for the years ended August 31, 2021 and 2020, respectively.

In addition, the fiscal year 2019 operating deficit and surplus of \$225,500 was transferred from the reserve during the year ended August 31, 2020. There were no additional transfers made during the year ended August 31, 2021. Investment income for the years ended August 31, 2021 and 2020 increased the reserve by \$361,434 and \$140,264 respectively.

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13. Net Assets With Donor Restrictions

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

| | August 31, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Program activities | \$ 1,585,593 | \$ 2,084,818 |
| Take Us Further campaign | 225,000 | 310,000 |
| Held as endowment and subject to spending policy: | | |
| Accumulated earnings on investments | 716,835 | 410,158 |
| To be held in perpetuity | 1,429,918 | 1,398,390 |
| | <u>\$ 3,957,346</u> | <u>\$ 4,203,366</u> |

14. Commitments and Contingencies

Trickle Up rents office space in New York City under a long-term non-cancelable operating lease expiring through August 2022. Approximate future minimum rental payments under long-term non-cancelable operating lease are \$120,000 for the year ending August 31, 2022.

Rent expense charged to operations for the years ended August 31, 2021 and 2020 was \$159,864 and \$274,783, respectively.

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 \$665,710 during the year ending August 31, 2022 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.

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15. 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:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,524,005 | \$ 2,808,505 |
| Accounts receivable | 44,069 | 9,459 |
| Pledges receivable | 407,618 | 713,061 |
| Investments, at fair value | 4,580,254 | 4,168,314 |
| Total financial assets available | <u>7,555,946</u> | <u>7,699,339</u> |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors in perpetuity | 2,146,753 | 1,808,548 |
| Restricted by donors with purpose restrictions | 1,810,593 | 2,394,818 |
| Total amounts unavailable for general expenditure within one year | <u>3,957,346</u> | <u>4,203,366</u> |
| Amounts unavailable to management without Board's approval: | | |
| Board designated operating reserve | 2,143,026 | 2,085,592 |
| Total financial assets available to management for general expenditures within one year | <u>\$ 1,455,574</u> | <u>\$ 1,410,381</u> |

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.

16. Concentrations

Approximately 18% and 10% of Trickle Up's revenue and support for the year ended August 31, 2021 and 2020, 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 51% and 65% of Trickle Up's revenue and support for the year ended August 31, 2021 and 2020, respectively.

Approximately 10% of total revenue and support for the years ended August 31, 2021 and 2020 was from one government agency. As of August 31, 2021 and 2020, amounts due from two foundations comprised approximately 88% and 60% of pledges receivable, respectively.

17. 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.

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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.

18. COVID-19

In March of 2020, a public emergency was declared in the United States related to a novel strain of coronavirus ("COVID-19"). The spread of COVID-19 around the world in 2020 has caused significant volatility in the U.S. and international markets. For the years ended August 31, 2021 and 2020, Trickle Up has experienced decreased revenue and delays in the completion of programs. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

19. Subsequent Events

Trickle Up has evaluated subsequent events through January 14, 2022, the date the financial statements were available for issuance.

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