New Incentives | All Babies Are Equal

Audited Consolidated Financial Statements

December 31, 2022

New Incentives and Subsidiary

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Independent Auditor's Report

To the Board of Directors
New Incentives

Opinion

We have audited the accompanying consolidated financial statements of New Incentives and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Incentives and Subsidiary as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Incentives and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Incentives and Subsidiary's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Incentives and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Incentives and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

CohnReznick LLP

Los Angeles, California
September 12, 2023

New Incentives and Subsidiary

Consolidated Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Current assets		
Cash and cash equivalents	$ 57,150,764	$ 20,953,730
Current portion of pledges receivable	7,774,958	5,718,548
Prepaid expenses	686,876	203,050
Total current assets	65,612,598	26,875,328
Investments	29,751,822	-
Pledge receivable, net of current portion	4,312,611	2,783,750
Capital assets, net	61,914	13,845
Total assets	$ 99,738,945	$ 29,672,923

Liabilities and Net Assets

	2022	2021
Liabilities		
Accounts payable	$ 696,746	$ 208,706
Total current liabilities	696,746	208,706
Net assets		
Without donor restrictions	86,954,630	20,961,919
With donor restrictions	12,087,569	8,502,298
Total net assets	99,042,199	29,464,217
Total liabilities and net assets	$ 99,738,945	$ 29,672,923

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support			
Foundation grants	$ 69,740,540	$ 9,277,723	$ 79,018,263
Individual donations	318,903	12,305	331,208
Other income	69,272	-	69,272
Investment loss	(182,629)	-	(182,629)
Net assets released from restrictions	5,704,757	(5,704,757)	-
Total support	75,650,843	3,585,271	79,236,114
Expenses			
Program services	9,246,159	-	9,246,159
Management and general	421,393	-	421,393
Fundraising	95,775	-	95,775
Total expenses	9,763,327	-	9,763,327
Foreign currency translation adjustment	105,195	-	105,195
Change in net assets	65,992,711	3,585,271	69,577,982
Net assets, beginning	20,961,919	8,502,298	29,464,217
Net assets, end	$ 86,954,630	$ 12,087,569	$ 99,042,199

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support			
Foundation grants	$ 13,959,877	$ 123,167	$ 14,083,044
Individual donations and other income	245,215	300	245,515
Other income	17,915	-	17,915
Net assets released from restrictions	8,493,261	(8,493,261)	-
Total support	22,716,268	(8,369,794)	14,346,474
Expenses			
Program services	2,902,971	-	2,902,971
Management and general	213,972	-	213,972
Fundraising	59,993	-	59,993
Total expenses	3,176,936	-	3,176,936
Foreign currency translation adjustment	(15,082)	-	(15,082)
Change in net assets	19,524,250	(8,369,794)	11,154,456
Net assets, beginning	1,437,669	16,872,092	18,309,761
Net assets, end	$ 20,961,919	$ 8,502,298	$ 29,464,217

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Conditional cash transfers	$ 2,128,456	$ -	$ -	$ 2,128,456
Salaries, benefits, taxes and consultants	3,168,967	295,957	95,775	3,560,699
Field activities and transportation	2,248,539	-	-	2,248,539
Field supplies	577,025	-	-	577,025
Stakeholder relations	190,478	-	-	190,478
Communications and technology	527,678	40,315	-	567,993
Office expenses and accessories	267,142	16,104	-	283,246
Accounting, legal, insurance and other expenses	137,874	69,017	-	206,891
Total	$ 9,246,159	$ 421,393	$ 95,775	$ 9,763,327

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Conditional cash transfers	$ 759,613	$ -	$ -	$ 759,613
Salaries, benefits, taxes and consultants	1,108,802	147,703	59,993	1,316,498
Field activities and transportation	469,535	-	-	469,535
Field supplies	225,714	-	-	225,714
Stakeholder relations	75,605	-	-	75,605
Communications and technology	121,820	12,652	-	134,472
Office expenses and accessories	89,640	5,949	-	95,589
Accounting, legal, insurance and other expenses	52,242	47,668	-	99,910
Total	$ 2,902,971	$ 213,972	$ 59,993	$ 3,176,936

See Notes to Consolidated Financial Statements.

New Incentives and Subsidiary

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 69,577,982	$ 11,154,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,187	6,299
Net realized and unrealized loss on investments	182,629	-
Changes in discount of pledges receivable	232,586	(15,525)
Changes in operating assets and liabilities		
Pledges receivable	(3,817,857)	8,385,319
Interest receivable on investment	65,549	-
Prepaid expenses	(483,826)	(147,638)
Accounts payable	488,040	96,153
Net cash provided by operating activities	66,289,290	19,479,064
Cash flows from investing activities		
Purchase of investments	(30,000,000)	-
Purchase of capital assets	(92,256)	(20,144)
Net cash used in investing activities	(30,092,256)	(20,144)
Net increase in cash and cash equivalents	36,197,034	19,458,920
Cash and cash equivalents, beginning	20,953,730	1,494,810
Cash and cash equivalents, end	$ 57,150,764	$ 20,953,730

See Notes to Consolidated Financial Statements.

Note 1 - Business and summary of significant accounting policies

Business

CCTmarketplace dba New Incentives (a California nonprofit corporation) ("New Incentives") was formed in California in 2011 and its subsidiary, All Babies Are Equal Initiative ("Subsidiary") was formed in 2014. During 2022, CCT marketplace dba New Incentives changed its name to New Incentives. Collectively (the "Organization") is designated as a 501(c)(3) nonprofit corporation. The Organization operates a program where low-income mothers are given cash transfers for immunizing their infants. This is known as Conditional Cash Transfers ("CCTs"). CCTs are one of the most evidence-based activities in international development. Through its Subsidiary, the Organization operates a conditional cash transfer program in Northern Nigeria, a region with one of the lowest immunization rates worldwide. Many program recipients live below the poverty line and earn less than $1 a day. Low immunization rates are a large driver of Nigeria's high under-five mortality rate—an estimated 40% of deaths of children under five in Nigeria are from diseases that could be prevented with a vaccine. By providing conditional cash transfers to parents and infants, New Incentives strives to protect communities against deadly diseases and reduce poverty with a highly cost-effective intervention.

Nature of activities

Program services

Includes costs necessary for verifying cash transfer conditions, delivering CCTs, and continued success of the program mission.

General and administrative

Includes the functions necessary to support the programs; ensure an adequate working environment; provide coordination of the Organization's program strategy; secure proper administrative functioning of the management and Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of New Incentives and its Subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate net assets without donor restrictions for specific purposes. The governing board designates CCT commitments and emergency reserve funds as board designated net assets without donor restrictions. At December 31, 2022 and 2021, the governing board designated $3,777,866 and $1,887,540, respectively, as board designated net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2022 and 2021, the Organization has pledges receivable that are designated as net assets with donor restrictions due to time restrictions. These net assets have no other donor placed restrictions.

Contributions
Contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as contributions with donor restrictions perpetual. Contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. At December 31, 2022 and 2021, the Organization did not have any conditional contributions.

Cash and cash equivalents
The Organization considers all highly liquid investments with a maturity at date of purchase of three months or less to be cash equivalents.

Pledges receivable
Pledges receivable is stated at unpaid balances, less a discount on the pledges receivable due in greater than one year.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. The realized and unrealized gains and losses are included in the Organization's consolidated statement of activities.

Capital assets
Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets of 1.5 years. Repairs and maintenance are charged to expense as incurred.

Functional allocation of expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising activities based on time spent and usage of goods and services.

Foreign currency translation

The consolidated financial statements of the Subsidiary are translated into United States dollars, using current and historical exchange rates, as appropriate. The functional currency is the Nigerian naira, and accordingly, foreign currency translation adjustments have been included as a component of consolidated statements of activities.

Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

> Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
>
> Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Income taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Organization has no unrecognized tax benefits at December 31, 2022 and 2021. The Organization's federal and state information returns prior to 2019 and 2018, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization recognizes interest and penalties associated with tax matters, if applicable, as part of management and general expense and includes accrued interest and penalties with accounts payable in the consolidated statement of financial position.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

All Babies Are Equal Initiative is an association with incorporated trustees registered under Nigerian law with the Corporate Affairs Commission and is subject to the laws and regulations of Nigeria.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events
Management evaluated activity of the Organization through September 12, 2023, the date the consolidated financial statements were available to be issued.

New accounting pronouncements
The Organization adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022. Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Organization elected and applied the following transition practical expedients when initially adopting Topic 842:

To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the consolidated financial statements.

- The package of practical expedients permitting the Organization to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Organization has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component. There were no adjustments made in connection with transitioning to Topic 842.

Note 2 - Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has financial assets available to meet operating needs and commitments over the next 12 months. In addition, the Organization continues to receive new pledge commitments (see Note 5) and has investments that can be made available for use over the next 12 months.

At December 31, 2022 and 2021, financial assets available for general expenditures within one year of the statement of financial position date consist of the following:

	2022	2021
Cash	$ 57,150,764	$ 20,953,730
Current portion of pledges receivable	7,774,958	5,718,548
Total	$ 64,925,722	$ 26,672,278

Note 3 - Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

For the years ended December 31, 2022 and 2021, 96% and 89%, of total support came from two and one grantors, respectively. At December 31, 2022 and 2021, 97% and 99%, respectively, of pledges receivable are due from one grantor.

Note 4 - Cumulative translation adjustment

Translation adjustments consist of foreign currency translation adjustments associated with All Babies Are Equal Initiative. Changes in the cumulative translation adjustments are reported in the consolidated statement of activities and changes in net assets. The changes in the cumulative translation adjustments for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Balance at beginning of year	$ (84,750)	$ (69,668)
Foreign currency translation adjustment	105,195	(15,082)
Balance at end of year	$ 20,445	$ (84,750)

Note 5 - Pledges receivable

Pledges receivable consists of unconditional promises to give and have been recorded at their present values. The receivable that is due in future periods has been discounted to its present value, using a discount rate consistent with the IRS short-term applicable federal rate of 4.55% and 0.33%. At December 31, 2022 and 2021, the pledges receivable is recorded as follows:

	2022	2021
Due in one year	$ 7,774,958	$ 5,718,548
Due in two to five years	4,558,988	2,797,541
Total	12,333,946	8,516,089
Less discount to net present value	(246,377)	(13,791)
	$ 12,087,569	$ 8,502,298

Note 6 - Investments and fair value

Investments carried at fair value as of December 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Treasury securities	$ -	$ 29,751,822	$ -	$ 29,751,822

Financial assets valued using Level 2 inputs are valued based on investment yields.

Note 7 - Capital assets

At December 31, 2022 and 2021, capital assets consist of the following:

	2022	2021
Capital assets	$ 112,400	20,144
Accumulated depreciation	(50,486)	(6,299)
Capital assets, net	$ 61,914	$ 13,845

Depreciation expense for the years ended December 31, 2022 and 2021 was $44,187 and $6,299.

Note 8 - Net assets

Net assets without donor restrictions at December 31, 2022 and 2021, consist of the following:

	2022	2021
Board designated for CCT commitments	$ 3,277,866	$ 1,387,540
Board designated for emergency reserve fund	500,000	500,000
Undesignated	83,176,222	19,074,379
Total	$ 86,954,088	$ 20,961,919

Net assets with donor restrictions at December 31, 2022 and 2021, consist of the following:

	2022	2021
Purpose restrictions	$ -	$ -
Time restrictions	12,087,569	8,502,298
Total	$ 12,087,569	$ 8,502,298

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Learn more at newincentives.org.

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