

TechnoServe, Inc. and Affiliates

Consolidated Financial Report
December 31, 2020

Contents

Independent auditor's report	1-2
------------------------------	-----

Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-16



RSM US LLP

Independent Auditor's Report

Board of Directors
TechnoServe, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of TechnoServe, Inc. and Affiliates (TechnoServe), which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 TechnoServe as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited TechnoServe's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited statements from which it is derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of TechnoServe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TechnoServe's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TechnoServe's internal control over financial reporting and compliance.

RSM US LLP

McLean, Virginia
June 28, 2021

TechnoServe, Inc.

Consolidated Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 63,449,207	\$ 52,056,837
Grants and contributions receivable, net	6,793,382	9,209,904
Program grants advances and other receivables	826,940	942,575
Prepaid expenses and other assets	2,252,130	2,477,792
Property and equipment, net	2,273,300	2,852,382
	<u>\$ 75,594,959</u>	<u>\$ 67,539,490</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,277,234	\$ 5,946,368
Accrued employee benefits	4,010,578	3,368,694
Deferred grant revenue and refundable advances	45,961,078	41,043,863
Deferred rent	2,333,599	2,488,941
Deferred loan guarantees	982,763	991,280
	<u>60,565,252</u>	<u>53,839,146</u>
Commitments, contingencies and risks (Notes 9 and 11)		
Net assets:		
Without donor restrictions	11,457,390	10,334,320
With donor restrictions	3,572,317	3,366,024
	<u>15,029,707</u>	<u>13,700,344</u>
	<u>\$ 75,594,959</u>	<u>\$ 67,539,490</u>

See notes to consolidated financial statements.

TechnoServe, Inc.

Consolidated Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants and contracts:				
U.S. government	\$ 22,258,195	\$ -	\$ 22,258,195	\$ 21,594,377
Paycheck Protection Program grant	2,267,065	-	2,267,065	-
Other grants and contracts	46,399,964	-	46,399,964	54,325,127
Total grants and contracts	70,925,224	-	70,925,224	75,919,504
Private contributions	5,173,078	3,897,371	9,070,449	8,714,335
Contributed services and in-kind	1,780,591	-	1,780,591	2,885,222
Other gains, net	428,092	-	428,092	2,003,989
Program income	93,747	-	93,747	60,124
Interest income	157,978	-	157,978	208,206
Net assets released from donor restrictions	3,691,078	(3,691,078)	-	-
Total support and revenue	82,249,788	206,293	82,456,081	89,791,380
Expenses:				
Program services:				
Africa	41,176,467	-	41,176,467	45,694,928
Latin America and Caribbean	19,723,495	-	19,723,495	20,141,743
India	3,112,853	-	3,112,853	3,323,607
Global	1,951,810	-	1,951,810	3,976,710
Total program services	65,964,625	-	65,964,625	73,136,988
Supporting services:				
Management and general	12,437,995	-	12,437,995	11,534,109
Fundraising	2,590,830	-	2,590,830	2,794,372
Total supporting services	15,028,825	-	15,028,825	14,328,481
Total expenses	80,993,450	-	80,993,450	87,465,469
Change in net assets before currency translation adjustments	1,256,338	206,293	1,462,631	2,325,911
Currency translation adjustments	(133,268)	-	(133,268)	(149,257)
Change in net assets	1,123,070	206,293	1,329,363	2,176,654
Net assets:				
Beginning	10,334,320	3,366,024	13,700,344	11,523,690
Ending	\$ 11,457,390	\$ 3,572,317	\$ 15,029,707	\$ 13,700,344

See notes to consolidated financial statements.

TechnoServe, Inc.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020										2019 Total
	Program Services					Supporting Services					
	Africa	Latin America and Caribbean	India	Global	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total		
Salaries and benefits	\$ 20,676,955	\$ 8,714,756	\$ 2,028,518	\$ 954,628	\$ 32,374,857	\$ 7,223,993	\$ 1,064,259	\$ 8,288,252	\$ 40,663,109	\$ 39,133,439	
Professional services	4,970,725	3,272,526	337,683	450,490	9,031,424	2,000,035	1,298,874	3,298,909	12,330,333	13,617,037	
Grants to implementing partners	6,086,489	4,671,524	-	4,563	10,762,576	-	-	-	10,762,576	9,661,342	
Travel and meetings	2,833,501	370,805	170,560	54,725	3,429,591	70,114	14,646	84,760	3,514,351	6,876,077	
Beneficiary training and support	2,069,675	917,610	11,920	1,824	3,001,029	1,162	75	1,237	3,002,266	4,728,652	
Donated goods and services	435,375	26,387	82,664	132,120	676,546	1,104,046	-	1,104,046	1,780,592	2,885,223	
Administrative costs	581,912	250,361	300,321	6,288	1,138,882	381,899	32,292	414,191	1,553,073	2,223,212	
Occupancy and utilities	1,106,631	389,390	117,035	9,928	1,622,984	612,989	-	612,989	2,235,973	2,447,976	
Vehicle operations	906,308	466,483	15,622	288,995	1,677,408	1,654	-	1,654	1,679,062	2,294,681	
Equipment and software	599,950	318,705	21,707	29,729	970,091	980,472	140,542	1,121,014	2,091,105	2,277,238	
Communication costs	908,946	324,948	26,823	18,520	1,279,237	61,631	40,142	101,773	1,381,010	1,320,592	
Total expenses	\$ 41,176,467	\$ 19,723,495	\$ 3,112,853	\$ 1,951,810	\$ 65,964,625	\$ 12,437,995	\$ 2,590,830	\$ 15,028,825	\$ 80,993,450	\$ 87,465,469	

See notes to consolidated financial statements.

TechnoServe, Inc.

Consolidated Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,329,363	\$ 2,176,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	(155,342)	502,284
Depreciation and amortization	588,750	666,416
Decrease in allowance for doubtful grants receivable	-	(119,924)
Change in discount on grants and contributions receivable	2,197	(2,308)
Net gain from sale of property and equipment	(59,714)	(79,860)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	2,414,325	101,829
Program grant advances and other receivables	115,635	1,391,228
Prepaid expenses and other assets	225,662	(346,490)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,330,866	793,212
Accrued employee benefits	641,884	408,549
Deferred grant revenue and refundable advances	4,917,215	4,441,085
Deferred loan guarantees	(8,517)	(202,076)
Net cash provided by operating activities	11,342,324	9,730,599
Cash flows from investing activities:		
Purchases of property and equipment	(9,668)	(708,024)
Proceeds from sale of property and equipment	59,714	79,860
Donated investments sold during the year	-	746,540
Net cash provided by investing activities	50,046	118,376
Net increase in cash and cash equivalents	11,392,370	9,848,975
Cash and cash equivalents:		
Beginning	52,056,837	42,207,862
Ending	\$ 63,449,207	\$ 52,056,837
Supplemental disclosure of non-cash investing information:		
Donated operating investments held at year-end	\$ 3,260	\$ -

See notes to consolidated financial statements.

TechnoServe, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: TechnoServe, Inc. (TechnoServe) headquartered in Arlington, Virginia, is an international nonprofit development organization established in 1968. Its mission is to help entrepreneurial men and women in the developing world to build profitable businesses that create income, opportunity, and economic growth for their families, their communities, and their countries. TechnoServe accomplishes this by providing management, technical assistance and training to businesses and institutions primarily related to the agricultural sector.

TechnoServe operates in 26 countries across Africa, Latin America, the Caribbean and India. In India, operations are conducted through Ashwattha Advisors Private Limited (AAPL), a for-profit private limited company, which is 99% owned via shares by TechnoServe, Inc. Additionally, TechnoServe Inc. established the Community Enterprise Development Trust Fund (CEDT), a Ghana trust fund. TechnoServe operates in all other countries via representative offices or similar entities that are wholly controlled by TechnoServe Inc. Collectively, TechnoServe Inc., AAPL, CEDT and all other country offices are referred to as TechnoServe.

A summary of TechnoServe's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned, and expenses are recognized when incurred.

Principles of consolidation: The consolidated financial statements of TechnoServe include the accounts for TechnoServe headquarters, all TechnoServe field offices AAPL and CEDT. All inter-entity transactions have been eliminated in consolidation.

Basis of presentation: TechnoServe reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net asset with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Net assets with donor restrictions: Net assets with donor restrictions represent net asset contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of TechnoServe according to the terms of the contribution.

Cash and cash equivalents: TechnoServe considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

At times of the year, TechnoServe maintains cash balances at financial institutions in excess of federally insured limits (FDIC). At December 31, 2020, cash balances totaling \$54,090,917 exceeded the limit. However, management believes the risk in these institutions to be minimal. At December 31, 2020, cash totaling \$9,108,287 was held at numerous financial institutions outside the United States, which are not insured by the FDIC.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments with readily determinable fair values are reported at fair value based upon quoted market prices in active markets. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are determined on the basis of the average cost of securities sold and are reflected in the consolidated statement of activities. Dividend income is recorded on the date of record and interest income is recorded on an accrual basis.

Investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Grants and contribution receivable: Receivables are carried at original invoice or promise to give amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. No interest is charged on past due receivables.

Program grant advances and other receivables: TechnoServe advances funds to numerous implementing partners via grant and sub-award agreements. The advances are liquidated to grant expense upon receipt of validated financial and technical reports from the implementing partner. The other receivables include salary and travel advances to the staff in accordance with TechnoServe's policies and procedures.

Prepaid expenses and other assets: Prepaid expenses are future expenses that have been paid in advance. This primarily includes insurance and other premium payments, amortized over the benefit period. The other assets include security deposits paid for global offices.

Property and equipment: Property and equipment are stated at cost if purchased, or fair value on the date of contribution. TechnoServe capitalizes all expenditures for property and equipment over \$5,000. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the respective assets.

The estimated useful lives by asset class are as follows:

Vehicles	3 years
Leasehold improvements	Lesser of useful life or the life of the lease
Furniture and equipment	3-10 years
Software	3 years

Property and equipment acquired with U.S. federal funds and certain other donors are subject to rules governing disposition of such assets by the respective grant agreement or contract.

Deferred rent: TechnoServe has entered into operating leases for its Arlington, Virginia office as well offices in the regions of Africa, Latin America, the Caribbean and India where operations are undertaken. Under generally accepted accounting principles in the United States of America (U.S. GAAP), all rent abatements, fixed rent increases, and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying consolidated statement of financial position.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Deferred loan guarantees: TechnoServe has several grants under which the grantors have provided funds to serve as loan guarantees for small businesses to be able to secure loans. In accordance with the grant guidelines, TechnoServe has entered into risk sharing agreements with certain financial institutions whereby TechnoServe is liable to these financial institutions for any defaulted loans under the terms of the risk sharing agreements. The maximum liability of TechnoServe is limited to the amount of grantor funds provided, less any loan defaults, which totaled \$982,763 at December 31, 2020. The full amount of this liability has been recognized on the consolidated statement of financial position as any unused portion of the funds reverts back to the grantors at the end of the grant period.

Deferred grant revenue and refundable advances: TechnoServe receives contracts and awards from several international agencies and governments, including the U.S., private foundations and corporations. This support is recognized as revenue when earned or, in the case of cost-reimbursable awards, as allowable costs are incurred in accordance with the grant terms. The portion of payments received under these grants and contracts that we have not yet been accrued as revenue is represented as refundable advances on the statement of financial position. Proceeds from the monetization of commodities associated with grants from the U.S. Department of Agriculture (USDA) are also reported as refundable advances.

Private contributions: All unconditional contributions, including unconditional promises to give, are reported as support without donor restrictions when received in the absence of a donor's explicit stipulation or circumstances surrounding the receipt of the contribution that make clear the donor's restrictions on use. Donor-restricted contributions are reported as net assets with donor restrictions.

Contributions, which include unconditional promises to give, are recognized as support at fair value when received or pledged. Promises to give and bequests that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows and discounted using treasury bonds rates, applicable to the year in which the promises are received. Provisions for uncollected promises to give are made on a case by case basis, and determined based on management's judgment, donor creditworthiness, and other relevant factors.

Contributions received with donor-imposed conditions are recognized as revenue when the conditions have been substantially met. Amounts received in advance of satisfying the donor-imposed conditions are reported as deferred revenue until conditions are met.

Grants and contracts: TechnoServe receives funding under grants and contracts from the government of the United States of America, other countries, international multilateral organizations, large corporations, and private foundations for direct and indirect program costs. Grants and contracts are individually evaluated to determine if they are exchange or non-exchange transactions based on direct value received (or not received) by the resource provider. Exchange transactions are recognized as revenue is earned. Non-exchange transactions are recognized consistent with contribution accounting. This funding is generally subject to contractual conditions and restrictions, which must be met through incurring qualifying expenses for particular programs or meeting certain deliverables.

Revenue from conditional grants and contracts are is recognized only when funds are utilized to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under conditional grants and contracts in advance of incurring the related expenses is reported as deferred revenue and grant advances. Any grants received that do not meet the criteria of a conditional grant are recognized as unconditional grant revenue when awarded.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributed services and in-kind contributions: TechnoServe receives contributed services in support of its programs. Certain contributed services meet the criteria for recognition under generally accepted accounting principles. In-kind contributions received are valued and recorded as support at their fair value at the time the contribution is received. Contributed services and in-kind contributions are reflected on the consolidated statement of activities as contributions and expenses.

Foreign currency translation: The functional and reporting currency of TechnoServe is the U.S. Dollar. Transactions in non-U.S. Dollar currencies are initially recorded in U.S. Dollar equivalents at the applicable exchange rates upon recognition (historical exchange rate). Monetary assets and monetary liabilities are revalued into U.S. Dollar equivalents at the applicable exchange rates at year-end. Nonmonetary assets and nonmonetary liabilities are maintained at historical exchange rates. Gains or losses from the revaluation of monetary assets and liabilities are recognized as currency translation adjustments in the consolidated statement of activities.

Functional allocation of expenses: TechnoServe allocates expenses on a functional basis among its various programs and supporting services. Program expenses include the costs of the organization associated with the delivery of programs in the four major geographical regions where program activities are undertaken. Global expenses include programs that are thematic in nature or crosscut multiple regions. Classification of expenses is based upon the terms of conditions of each funding source and identified at the time of the award.

Certain shared costs are incurred in the country offices of program delivery and benefit multiple programs. These shared costs are allocated across relevant programs based on one of the following methodologies: (1) project total direct costs, (2) project labor costs or (3) project labor hours. The allocation methodology is determined for each country based upon the context and relationship between its shared costs, program services, and supporting activities. Shared costs that get allocated include the following categories:

Cost Type	Description
Shared staff	Administrative and management staff that support the office as a whole and technical staff that work across all country projects.
Office costs	Rent, office, supplies, communications, utilities, insurance and printing.
Professional services	Annual statutory audit, main office IT services, legal counsel and other non-project specific activities.
Shared travel	Non-project specific travel, such as travel to TechnoServe annual and regional meetings.
Equipment	Certain investments for the main office, such as office furniture or IT equipment for shared staff.
Vehicle operations	Fuel, insurance and maintenance of vehicles utilized by the shared staff or that are shared across all projects.
Other direct costs	Bank fees, all-staff meetings, professional development costs for shared staff, etc.

TechnoServe, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: TechnoServe is exempt from the payment of taxes on income other than unrelated business income under Internal Revenue Code (IRC) Section 501(c)(3) and is not a private foundation. TechnoServe had no net unrelated business income for the year ended December 31, 2020.

AAPL is a for-profit private limited company in India and is subject to tax on its income. AAPL pays taxes on an ongoing basis and had a net provision for the income tax liability of \$59,289 as of December 31, 2020. Any variation from AAPL's estimated income tax provision would be immaterial to the consolidated financial statements.

Management has evaluated TechnoServe's tax positions and has concluded that TechnoServe has taken no uncertain tax positions that require disclosure. TechnoServe files tax returns in the U.S. federal and Virginia jurisdictions. Generally, TechnoServe is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2017.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for TechnoServe for the calendar year beginning on January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. TechnoServe is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance will be effective for TechnoServe's calendar year beginning on January 1, 2022. TechnoServe is in the process of evaluating the impact of this new guidance on the consolidated financial statements.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with TechnoServe's consolidated financial statements for the years ended December 31, 2019, from which the summarized information was derived.

Subsequent events: TechnoServe evaluated subsequent events through June 28, 2021, which is the date the consolidated financial statements were available to be issued.

TechnoServe, Inc.

Notes to Consolidated Financial Statements

Note 2. Grants and Contributions Receivable

Receivables associated with grants and contracts as of December 31, 2020, were as follows:

Other governments and public institutions	\$ 2,407,188
Corporations	2,052,603
U.S. government	1,502,827
Contributions receivable	861,257
Private foundations	21,618
	<hr/>
	6,845,493
Less long-term discount	(111)
Less allowance for doubtful accounts	(52,000)
	<hr/>
	<u>\$ 6,793,382</u>

As of December 31, 2020, all grants and contracts receivable are expected to be collected within one year.

Contributions receivable expected to be received beyond one year are recorded at the present value of the expected future cash flows using a risk-adjusted discount rate. There were \$125,000 of contributions receivable beyond one year in 2020.

Note 3. Property and Equipment

At December 31, 2020, property and equipment consist of the following:

	Cost	Accumulated Depreciation/ Amortization	Net
Vehicles	\$ 4,489,879	\$ (3,747,060)	\$ 742,819
Software	1,268,175	(1,083,893)	184,282
Leasehold improvements	1,231,580	(263,281)	968,299
Furniture and equipment	738,472	(360,572)	377,900
	<hr/>	<hr/>	<hr/>
	<u>\$ 7,728,106</u>	<u>\$ (5,454,806)</u>	<u>\$ 2,273,300</u>

Property and equipment includes the net book value of donor owned assets with a corresponding liability totaling \$428,272, comprising of vehicles worth \$415,451 and furniture equipment worth \$12,821. Depreciation and amortization expense for the year ended December 31, 2020, was \$588,750.

Note 4. Investment and Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires TechnoServe to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The level in the fair-value hierarchy within which a fair value measurement falls, in its entirety, is based on the lowest level input that is significant to the fair value measurement.

TechnoServe, Inc.

Notes to Consolidated Financial Statements

Note 4. Investments and Fair Value Measurements (Continued)

TechnoServe categorizes the closely held stock as Level 3 with the fair value hierarchy as the inputs are unobservable and are not corroborated by market data. The fair value of these assets recorded in the statement of financial position were \$1,024,149 for the year ended December 31, 2020.

Note 5. Deferred Grant Revenue and Refundable Advances

Deferred grant revenue and refundable advances consist of the following at December 31, 2020:

Restricted agreements	\$ 25,080,797
USDA monetization proceeds	20,880,281
	<u>\$ 45,961,078</u>

Note 6. Employee Retirement Plans

TechnoServe has a retirement savings plan under Section 401(k) of the IRC for its U.S. employees and other expatriates living abroad. TechnoServe matches employee contributions up to 4% and provides an additional 8% discretionary contribution for each participant's base compensation up to \$285,000. The discretionary contributions are fully vested after participants complete three years of service. The employee match of 4% is immediately vested.

TechnoServe has also adopted several host country national plans for employees living abroad who are not covered by the 401(k) plan. The contributions made to these plans for both employer and employee are governed per the local rules and regulations.

TechnoServe's contributions to the plans totaled \$1,910,856 for the year ended December 31, 2020, and are reported under salaries and benefits in the accompanying consolidated statement of functional expenses.

Note 7. Donor Restricted Net Assets

As of December 31, 2020, donor restricted net assets consist of the following:

Africa	\$ 1,233,561
Latin American and Caribbean	1,483,628
India	72,095
Global	783,033
	<u>\$ 3,572,317</u>

Donor restricted net assets released during the year ended December 31, 2020, were for the following:

Africa	\$ 2,131,031
Latin American and Caribbean	778,016
India	119,183
Global	662,848
	<u>\$ 3,691,078</u>

Notes to Consolidated Financial Statements

Note 8. Paycheck Protection Program Grant

In April 2020, TechnoServe applied for and received \$2,267,065 from the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds from the note may only be used for payroll costs, interest on other debt obligations, leases, and utilities. TechnoServe elected to follow FASB Accounting Standards Codification (ASC) 958-605 and treat the loan as a conditional grant where revenue will be recognized as conditions are met. The conditions that must be met include; a) Eligibility requirements to be eligible to receive the loan, including justification of need for the loan must be met; b) the funds are used for qualifying expenses; and c) and the full-time equivalent (FTE) level and related payroll costs level requirements are also met as outlined by the PPP. As the full amount of the loan was spent on qualifying expenses, eligibility and need requirements to receive the loan were met and all FTE and payroll costs level requirements were also met during the 24 week covered period in 2020, TechnoServe determined all conditions were met to recognize the full amount of the loan as grant revenue during the year ended December 31, 2020.

On December 15, 2020, TechnoServe applied for loan forgiveness for the full amount received from the PPP. On June 11, 2021, the Small Business Administration fully approved the forgiveness application and all obligations under the PPP were satisfied.

Note 9. Commitments, Contingencies and Risks

U.S. federal grants: TechnoServe participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the United States Agency for International Development (USAID) and the USDA or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Provisional indirect cost rates: Billings under cost-reimbursable U.S. government grants and contracts are calculated using provisional rates that permit recovery of indirect costs in accordance with TechnoServe's negotiated indirect cost rate agreement with the United States Department of Interior (DIO), TechnoServe's cognizant agency. These rates are subject to final determination by DOI. For the year ended December 31, 2020, revenue from U.S. government grants and contracts that were active during 2020 has been recognized using the actual rate achieved, which is less than the provisional rate currently approved by USDA. The difference between revenue recognized under the actual rate versus provisional rate was not material to these consolidated financial statements. In the opinion of management, adjustments, if any, from the final determination by USDA, will not have a material effect on TechnoServe's financial position as of December 31, 2020, or results of operations for the year then ended.

International operations: TechnoServe has field offices in various countries in Africa, Latin America, the Caribbean and India. The future results of TechnoServe's programs could be adversely affected by a number of potential factors such as changes in the political climate, inflation and currency fluctuation.

Litigation: TechnoServe is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on its financial position, changes in net assets or cash flows.

COVID-19: In 2020, the global pandemic created substantial volatility in the financial markets and the economy, including the geographic areas in which America's Charities operates. While TechnoServe has mitigated the financial impact on its business, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments which are uncertain and cannot be predicted, and as such cannot be determined.

TechnoServe, Inc.

Notes to Consolidated Financial Statements

Note 9. Commitments, Contingencies and Risks (Continued)

Operating lease commitments: TechnoServe has an operating lease agreement for new office space in Arlington, Virginia for its headquarters for a period of 11 years, expiring on February 28, 2030. The lease also includes a renewal option for a period of five years, which must be exercised within 12 to 18 months prior to the lease expiration date.

The new lease agreement contains a fixed escalation clause of 2.5% for an increase in the annual minimum rent. Under the terms of the lease, TechnoServe received a rent abatement for the first 18 months, a tenant improvement allowance of up to \$1,577,340, and \$312,458 to cover the termination fee associated with TechnoServe's prior office. The lease incentives are being amortized on a straight-line basis over the life of the new lease.

TechnoServe was also obligated under various other leases for its offices around the world. Rent expense under these leases for the year ended December 31, 2020, exclusive of pass-through operating costs, was \$1,769,020, and is included in occupancy and utilities expensed in the accompanying consolidated statement of functional expenses.

As of December 31, 2020, total future minimum lease payments required under the leases for TechnoServe's headquarters and other offices are as follows:

Years ending December 31:

2021	\$ 1,645,008
2022	1,185,515
2023	1,001,890
2024	937,375
2025	908,125
Thereafter	3,686,583
	<u>\$ 9,364,496</u>

Note 10. Liquidity and Availability Disclosures

TechnoServe regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The table below represents financial assets available for general expenditures within one year of December 31, 2020.

Cash and cash equivalents	\$ 63,449,207
Grants and contributions receivable	6,793,382
Grant advances and other receivables	826,940
Total financial assets available	<u>71,069,529</u>
Other assets associated with charitable gift annuity agreements	(669,012)
Refundable advances	(45,961,078)
Donor restricted net assets	(3,572,317)
Contribution receivable due in more than one year	(125,000)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,742,122</u>

TechnoServe, Inc.

Notes to Consolidated Financial Statements

Note 10. Liquidity and Availability Disclosures (Continued)

TechnoServe has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 11 for information about the TechnoServe's line of credit.

Principal and interest on programmatic investments and loans are not included in the analysis as those amounts are used solely to make new loans and are, therefore, not available to meet current operating needs. Based on historical experience, only the portion of contributions receivable due within one year are considered available for use in meeting annual operating needs (liquid).

Note 11. Line of Credit

During 2020, TechnoServe entered into a line of credit agreement with a maximum borrowing amount of \$1,000,000. The line of credit expires on March 31, 2022. Borrowings under the line of credit bear interest at the LIBOR Daily Floating rate plus 2.5% points. As of December 31, 2020, there were no borrowings outstanding, nor any borrowings during calendar year 2020.

Note 12. Conditional Grants

As of December 31, 2020, TechnoServe has \$217,641,924 of revenue to be earned on various conditional grants from various sources including the U.S. government, other governments and public institutions, corporations and foundations. This amount is not recognized in the accompanying consolidated financial statements as such revenue is recognized over the multi-year period of each respective grant agreement, conditional upon management of TechnoServe complying with grant requirements.