

TechnoServe, Inc. and Affiliates

Consolidated Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
TechnoServe, Inc.

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of TechnoServe, Inc. and Affiliates (TechnoServe), which comprise the consolidated statement of financial position as of December 31, 2021, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TechnoServe as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 TechnoServe and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 TechnoServe'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TechnoServe'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 audit.

Report on Summarized Comparative Information

We have previously audited TechnoServe's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022, 2022, on our consideration of TechnoServe's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our 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 16, 2022

TechnoServe, Inc. and Affiliates

**Consolidated Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Assets		
Cash and cash equivalents	\$ 100,378,001	\$ 63,449,207
Grants and contributions receivable, net	8,214,452	6,793,382
Program grants advances and other receivables	863,659	826,940
Prepaid expenses and other assets	2,602,340	2,252,130
Property and equipment, net	2,217,885	2,273,300
	<u>\$ 114,276,337</u>	<u>\$ 75,594,959</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,048,040	\$ 7,277,234
Accrued employee benefits	3,536,400	4,010,578
Deferred grant revenue and refundable advances	80,634,317	45,961,078
Deferred rent	2,159,991	2,333,599
Deferred loan guarantees	974,077	982,763
	<u>95,352,825</u>	<u>60,565,252</u>
Commitments, contingencies and risks (Notes 7 and 9)		
Net assets:		
Without donor restrictions	14,453,622	11,457,390
With donor restrictions	4,469,890	3,572,317
	<u>18,923,512</u>	<u>15,029,707</u>
	<u>\$ 114,276,337</u>	<u>\$ 75,594,959</u>

See notes to consolidated financial statements.

TechnoServe, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants and contracts:				
U.S. government	\$ 27,764,635	\$ -	\$ 27,764,635	\$ 22,258,195
Paycheck Protection Program grant	-	-	-	2,267,065
Other grants and contracts	56,678,771	-	56,678,771	46,399,964
Total grants and contracts	84,443,406	-	84,443,406	70,925,224
Private contributions	7,401,803	4,277,788	11,679,591	9,070,449
Contributed services and in-kind	3,362,410	-	3,362,410	1,780,591
Other gains, net	286,593	-	286,593	428,092
Program income	174,409	-	174,409	93,747
Interest income	91,252	-	91,252	157,978
Net assets released from donor restrictions	3,380,215	(3,380,215)	-	-
Total support and revenue	99,140,088	897,573	100,037,661	82,456,081
Expenses:				
Program services:				
Africa	51,524,647	-	51,524,647	41,176,467
Latin America and Caribbean	22,493,572	-	22,493,572	19,723,495
India	2,909,022	-	2,909,022	3,112,853
Global	4,644,888	-	4,644,888	1,951,810
Total program services	81,572,129	-	81,572,129	65,964,625
Supporting services:				
Management and general	11,285,650	-	11,285,650	12,437,995
Fundraising	2,929,197	-	2,929,197	2,590,830
Total supporting services	14,214,847	-	14,214,847	15,028,825
Total expenses	95,786,976	-	95,786,976	80,993,450
Change in net assets before currency translation adjustments	3,353,112	897,573	4,250,685	1,462,631
Currency translation adjustments	(356,880)	-	(356,880)	(133,268)
Change in net assets	2,996,232	897,573	3,893,805	1,329,363
Net assets:				
Beginning	11,457,390	3,572,317	15,029,707	13,700,344
Ending	\$ 14,453,622	\$ 4,469,890	\$ 18,923,512	\$ 15,029,707

See notes to consolidated financial statements.

TechnoServe, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021									2020 Total
	Program Services				Total Program Services	Supporting Services			Total	
	Africa	Latin America and Caribbean	India	Global		Management and General	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 25,033,235	\$ 11,385,809	\$ 1,949,742	\$ 1,279,856	\$ 39,648,642	\$ 7,738,721	\$ 1,227,073	\$ 8,965,794	\$ 48,614,436	\$ 40,663,109
Professional services	6,777,119	2,526,456	345,156	333,052	9,981,783	1,207,349	1,476,819	2,684,168	12,665,951	12,330,333
Grants to implementing partners	6,447,833	4,627,233	6,729	-	11,081,795	-	-	-	11,081,795	10,762,576
Beneficiary training and support	3,346,792	1,588,673	58,564	13,052	5,007,081	233	-	233	5,007,314	3,002,266
Travel and meetings	3,853,503	593,697	136,852	12,429	4,596,481	91,298	11,117	102,415	4,698,896	3,514,351
Donated goods and services	326,863	76,362	131,497	2,727,377	3,262,099	76,536	-	76,536	3,338,635	1,780,592
Equipment and software	1,438,158	255,425	30,112	9,345	1,733,040	1,000,322	179,545	1,179,867	2,912,907	2,091,105
Occupancy and utilities	1,189,114	374,235	96,840	24,464	1,684,653	591,629	-	591,629	2,276,282	2,235,973
Vehicle operations	1,101,047	499,452	18,877	213,530	1,832,906	1,619	228	1,847	1,834,753	1,679,062
Administrative costs	927,236	219,249	110,003	26,645	1,283,133	518,695	27,051	545,746	1,828,879	1,553,073
Communication costs	1,083,747	346,981	24,650	5,138	1,460,516	59,248	7,364	66,612	1,527,128	1,381,010
Total expenses	\$ 51,524,647	\$ 22,493,572	\$ 2,909,022	\$ 4,644,888	\$ 81,572,129	\$ 11,285,650	\$ 2,929,197	\$ 14,214,847	\$ 95,786,976	\$ 80,993,450

See notes to consolidated financial statements.

TechnoServe, Inc. and Affiliates

**Consolidated Statement of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,893,805	\$ 1,329,363
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	(173,608)	(155,342)
Depreciation and amortization	535,074	588,750
Change in allowance for doubtful grants receivable	116,530	-
Change in discount on grants and contributions receivable	12,461	2,197
Net gain from sale of property and equipment	(95,875)	(59,714)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	(1,550,061)	2,414,325
Program grant advances and other receivables	(36,719)	115,635
Prepaid expenses and other assets	(350,210)	225,662
Increase (decrease) in:		
Accounts payable and accrued expenses	770,806	1,330,866
Accrued employee benefits	(474,178)	641,884
Deferred grant revenue and refundable advances	34,673,239	4,917,215
Deferred loan guarantees	(8,686)	(8,517)
Net cash provided by operating activities	37,312,578	11,342,324
Cash flows from investing activities:		
Purchases of property and equipment	(497,159)	(9,668)
Proceeds from sale of property and equipment	113,375	59,714
Net cash (used in) provided by investing activities	(383,784)	50,046
Net increase in cash and cash equivalents	36,928,794	11,392,370
Cash and cash equivalents:		
Beginning	63,449,207	52,056,837
Ending	\$ 100,378,001	\$ 63,449,207
Supplemental disclosure of non-cash investing activities:		
Donated operating investments held at year-end	\$ 3,260	\$ 3,260

See notes to consolidated financial statements.

TechnoServe, Inc. and Affiliates

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 27 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. TechnoServe operates in all other countries via representative offices or similar entities that are wholly controlled by TechnoServe Inc. Collectively, TechnoServe Inc., AAPL, and all other country offices are referred to as TechnoServe.

A summary of TechnoServe's significant accounting policies follows:

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

Basis of presentation: TechnoServe reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets 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 money market funds held in investment accounts in addition to all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Financial risk: TechnoServe maintains its cash in bank deposits that, at times, may exceed federally insured limits set by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021, cash balances totaling \$92,554,058 exceeded the limit. TechnoServe believes the risk in these institutions to be minimal. At December 31, 2021, cash totaling \$7,565,109 was held at numerous financial institutions outside the United States, which are not insured by the FDIC.

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.

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Program grant advances and other receivables: TechnoServe advances funds to numerous implementing partners via grant and subaward 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:

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

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 as 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.

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 \$974,077 at December 31, 2021. 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 United States, 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 have not yet been accrued as revenue is represented as refundable advances on the consolidated 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.

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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, which must be met through incurring qualifying expenses for particular programs or meeting certain deliverables.

Revenue from conditional grants and contracts is recognized only when funds are utilized to carry out the activity stipulated in the grant or contract agreement that satisfies barriers and/or rights of return. 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.

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.

Grants to implementing partners: TechnoServe records grants to implementing partners when an unconditional promise to pay is made or as conditions are satisfied on a conditional promise to pay. Conditional grants are those that include both a barrier and right of return in the grant agreement. Conditional grants are expensed as they become unconditional by the grantee satisfying barriers and/or rights of return associated with the grant agreement.

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.

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

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, 2021.

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 \$34,136 as of December 31, 2021. 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.

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. 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 this standard on the consolidated 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, 2020, from which the summarized information was derived.

Subsequent events: TechnoServe has evaluated subsequent events through June 16, 2022, which is the date the consolidated financial statements were available to be issued.

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Grants and Contributions Receivable

Receivables associated with grants and contributions as of December 31, 2021, were as follows:

U.S. government	\$	2,173,816
Corporations		2,166,848
Other governments and public institutions		1,881,090
Contributions receivable		1,638,014
Private foundations		535,786
		<u>8,395,554</u>
Less long-term discount		(12,572)
Less allowance for doubtful accounts		(168,530)
	\$	<u><u>8,214,452</u></u>

Grant and contributions receivable expected to be received beyond one year are recorded at the present value of the expected future cash flows using a discount rate based on the appropriate market rate. There were \$750,000 of contributions receivable beyond one year in 2021.

Note 3. Property and Equipment

At December 31, 2021, property and equipment consist of the following:

	Cost	Accumulated Depreciation/ Amortization	Net
Vehicles	\$ 4,401,206	\$ (3,459,693)	\$ 941,513
Software	1,136,355	(1,043,152)	93,203
Leasehold improvements	1,241,733	(374,014)	867,719
Furniture and equipment	694,126	(378,676)	315,450
	<u>\$ 7,473,420</u>	<u>\$ (5,255,535)</u>	<u>\$ 2,217,885</u>

Property and equipment includes the net book value of donor-owned assets with a corresponding liability totaling \$698,339, comprising of vehicles worth \$676,382 and furniture and equipment worth \$21,957. Depreciation and amortization expense for the year ended December 31, 2021, was \$535,074.

Note 4. Deferred Grant Revenue and Refundable Advances

Deferred grant revenue and refundable advances consist of the following at December 31, 2021:

Restricted agreements	\$	60,330,668
USDA monetization proceeds		20,303,649
	\$	<u><u>80,634,317</u></u>

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Employee Retirement Plans

TechnoServe has a retirement savings plan under Section 401(k) of the IRC for its U.S. employees and other employees serving as 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 \$290,000. 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 \$2,216,690 for the year ended December 31, 2021, and are reported under salaries and benefits in the accompanying consolidated statement of functional expenses.

Note 6. Donor-Restricted Net Assets

As of December 31, 2021, donor-restricted net assets consist of the following:

Global	\$ 1,682,259
Latin American and Caribbean	1,644,820
Africa	1,142,811
	<u>\$ 4,469,890</u>

Donor-restricted net assets released during the year ended December 31, 2021, were for the following:

Africa	\$ 1,750,857
Latin American and Caribbean	1,148,774
Global	400,489
India	80,095
	<u>\$ 3,380,215</u>

Note 7. 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 (DOI), TechnoServe's cognizant agency. These rates are subject to final determination by the DOI. For the year ended December 31, 2021, revenue from U.S. government grants and contracts that were active during 2021 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, 2021, or results of operations for the year then ended.

TechnoServe, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Commitments, Contingencies and Risks (Continued)

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.

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, 2021, exclusive of pass-through operating costs, was \$1,819,487, and is included in occupancy and utilities expensed in the accompanying consolidated statement of functional expenses.

As of December 31, 2021, total future minimum lease payments required under the leases for TechnoServe's headquarters and other offices are as follows:

Years ending December 31:

2022	\$ 1,664,772
2023	1,146,113
2024	948,170
2025	961,333
2026	926,597
Thereafter	2,826,184
	<u>\$ 8,473,169</u>

COVID-19: In 2020, the global pandemic created substantial volatility in the financial markets and the economy, including the geographic areas in which TechnoServe 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. and Affiliates

Notes to Consolidated Financial Statements

Note 8. 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, 2021.

Cash and cash equivalents	\$ 100,378,001
Grants and contributions receivable	8,214,452
Grant advances and other receivables	863,659
Total financial assets available	<u>109,456,112</u>
Other assets associated with charitable gift annuity agreements	(819,835)
Refundable advances	(80,634,317)
Donor restricted net assets	<u>(4,469,890)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 23,532,070</u></u>

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 9 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 9. Line of Credit

During 2021, 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, 2023. Borrowings under the line of credit bear interest at the Bloomberg Short Term Bank Yield Index (BSBY) Daily Floating rate plus 2.25% points. As of December 31, 2021, there were no borrowings outstanding, nor any borrowings during calendar year 2021.

Note 10. Conditional Grants

As of December 31, 2021, TechnoServe has \$207,849,255 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.

TechnoServe has made conditional promises (conditional grants) to implementing partners of \$13,473,129 as of December 31, 2021. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.