

**IGARAPE, INC.**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**DECEMBER 31, 2022**

# IGARAPE, INC.

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## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
Igarape, Inc.

### ***Opinion***

We have audited the financial statements of Igarape, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Igarape, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit 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 Igarape, Inc. 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 Igarape, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 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 could reasonably be expected to influence the judgment made by a reasonable user based on these 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 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 Igarape, Inc.'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 Igarape, Inc.'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.

New York, NY  
January 12, 2024

*Skody Scot & Company, CPAs, P.C.*

**IGARAPE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

**ASSETS**

Cash	\$ 1,182,837
Government grant receivable	143,245
Contributions receivable	104,114
Program revenue receivable	12,255
Prepaid expenses	16,877
Total assets	<u>\$ 1,459,328</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 27,000
Total liabilities	<u>27,000</u>
Commitments and contingencies (see notes)	
Net Assets:	
Without donor restrictions	761,391
With donor restrictions	<u>670,937</u>
Total net assets	<u>1,432,328</u>
Total liabilities and net assets	<u>\$ 1,459,328</u>

**See accompanying notes to the financial statements.**

**IGARAPE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues:</b>			
Contributions	\$ 616,013	\$ 570,937	1,186,950
Government grant	698,535	-	698,535
Program service revenue	40,570	-	40,570
Exchange gain/(loss)	(323)	-	(323)
Net assets released from restriction:			
Satisfaction of purpose restrictions	100,000	(100,000)	-
Total support and revenues	<u>1,454,795</u>	<u>470,937</u>	<u>1,925,732</u>
<b>Expenses:</b>			
Program expenses	1,616,051	-	1,616,051
Supporting services:			
Management and general	184,780	-	184,780
Fundraising	13,189	-	13,189
Total expenses	<u>1,814,020</u>	<u>-</u>	<u>1,814,020</u>
Increase/(Decrease) in net assets	<u>(359,225)</u>	<u>470,937</u>	<u>111,712</u>
Net assets, beginning of year - restated	<u>1,120,616</u>	<u>200,000</u>	<u>1,320,616</u>
Net assets, end of year	<u>\$ 761,391</u>	<u>\$ 670,937</u>	<u>\$ 1,432,328</u>

See accompanying notes to the financial statements.

**IGARAPE, INC.**  
**STATEMENT OF EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	<b>Supporting Services</b>			Total Expenses
	Program Services	Management and General	Fundraising	
Consultants and outside contractors	\$ 982,273	\$ 126,439	\$ 13,189	\$ 1,121,901
Grants to affiliate	571,004	-	-	571,004
Insurance	-	8,611	-	8,611
Office expenses	-	30,700	-	30,700
Professional fees	-	19,030	-	19,030
Travel, hotels, and meetings	62,774	-	-	62,774
Total expenses	<u>\$ 1,616,051</u>	<u>\$ 184,780</u>	<u>\$ 13,189</u>	<u>\$ 1,814,020</u>

See accompanying notes to the financial statements.

**IGARAPE, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 111,712
Adjustments for non-cash items included in operating activities	-
Changes in assets and liabilities:	
Government grants receivable	(30,257)
Contributions receivable	118,403
Program revenue receivable	(12,255)
Prepaid expenses	(14,507)
Accounts payable and accrued expenses	9,372
Net cash provided/(used) by operating activities	<u>182,468</u>
Cash flows from investing activities	<u>-</u>
Cash flows from financing activities	<u>-</u>
Net increase/(decrease) in cash	182,468
Cash, at beginning of year	<u>1,000,369</u>
Cash, at end of year	<u><u>\$ 1,182,837</u></u>

**See accompanying notes to the financial statements.**



**IGARAPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

Igarape, Inc., a not-for-profit organization, was incorporated in the State of New York on May 5, 2016. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal, state or local income taxes has been recorded. According to the Organization, its financial statements do not include any uncertain tax positions. The Organization primarily receives its support from contributions and government grants.

The mission of the Organization is to advance public security, digital transformation, climate action, sustainable development, and international cooperation by supporting applied research, technology development, and strategic advocacy and policy innovation around the world.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at their present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose or for an operating reserve.

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 or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

**IGARAPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of expenses. All expenses were directly related to specific functional areas with no allocation between functional areas needed. The Organization classifies expenses which are not directly related to a specific program as Management and General expenses.

Revenue Recognition

The Organization recognizes contributions when cash and other financial assets, nonfinancial assets/services, or unconditional promises to give are received. Non-financial assets are valued based on the specifics of the type of asset received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to the meeting of these conditions, if any, are reported as refundable advances in the statement of financial position. As of December 31, 2022, contributions and government grants totaling approximately \$880,000 were not recognized on the accompanying statement of activities because the conditions on which they depend have not been met. The recognition of these grants is conditioned upon the Organization meeting certain project goals and incurring certain allowable expenditures.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for a purpose by the donor are reported as support with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program service revenue relates to fees received in exchange for program services and consists primarily of research consulting. The Organization's program service revenue generally contains a single delivery/service element and revenue is recognized at a single point in time when ownership, risk and rewards transfer, and all performance obligations are considered to be satisfied. Any revenue received which has not been earned is recorded as deferred revenue.

The Organization received a grant from a governmental agency which requires that approved expenses be incurred prior to reimbursement by the grantor. Revenue is recognized for this grant in the period that the approved expenses are incurred by the Organization

**IGARAPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 2 - Prior Period Adjustment

Net assets, contributions receivable, government grant receivable, and accrued expenses were adjusted at December 31, 2021 to account for the overstatement of revenue and receivables and understatement of accrued expenses in prior years. The net effect of the adjustment reduced contributions and grants receivable by \$1,797,333, increased net assets without donor restrictions by \$453,886, reduced net assets with donor restrictions by \$2,266,219, and increased accrued expenses by \$15,000, at December 31, 2021. The adjustment had no effect on current year activities.

Note 3 - Net Assets with Donor Restrictions

As of December 31, 2022, net assets with donor restrictions are available as follows:

Environmental crime research	\$ 100,000
Security policies in Amazonian region	225,623
Strategic advocacy	<u>345,314</u>
	<u>\$ 670,937</u>

Note 4 - Concentrations

The Organization maintains its cash with a major financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balance of the account exceeded the insured limits during the year ended December 31, 2022.

For the year ended December 31, 2022, approximately 51% of the Organization's total revenue was provided by two major grantors. It is always possible that grantors or contributors may be lost in the near term. In the event funding is terminated or significantly reduced from these funders, the Organization's ability to continue providing services at the same level could be greatly diminished.

Note 5 - Revenue from Contracts with Customers

Detail of revenue from contracts with customers during the year ended December 31, 2022, is as follows:

Research consulting	\$ 40,570
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All of the revenue derived from contracts with customers during the year ended December 31, 2022, was fully earned in the same annual reporting period.

Note 6 - Government Grant

During the year ended December 31, 2022, the Organization recognized revenue from a governmental entity. Total revenue recognized under the grant for the year ended December 31, 2022, is as follows:

Foreign governmental entity	\$ 698,535
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**IGARAPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 7 - Related Parties and Affiliate Transactions

During the year ended December 31, 2022, \$571,004 was granted to a foreign affiliate organization, Instituto Igarape (Implementation Partner). The founder and board member of the Organization serves in a voluntary capacity as Chief Innovation Officer of the Implementation Partner. All program grants issued to Instituto Igarape are required to undertake financial and narrative reporting.

During the year ended December 31, 2022, the Organization also issued a total of \$295,639 to SECDEV Group (Implementation Partner 2). The founder and board member abstained from voting in relation to the approval of the grant. The founder and board member of the Organization also serves as a principal of the Implementation Partner 2. Program funds transferred to Implementation Partner 2 are required to undertake financial and narrative reporting. During the year ended December 31, 2022, the Organization also paid \$277,000 in consulting fees directed to two other organizations where this founder and board member is a partner.

During the year ended December 31, 2022, \$42,900 of consulting fees were incurred for an organization that has representation on the Organizations board of directors.

Note 8 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2022, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

Financial assets:	
Cash	\$ 1,182,837
Receivables	<u>259,614</u>
Total financial assets	1,442,451
Less those unavailable for general expenditures within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,442,451</u>

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through January 12, 2024, which is the date the financial statements were available to be issued.