

BRAC USA, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

SEPTEMBER 30, 2011 and 2010

BRAC USA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BRAC USA, Inc.

We have audited the accompanying statements of financial position of BRAC USA, Inc. (a not-for-profit corporation) as of September 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRAC USA, Inc. as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
February 3, 2012

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$ 7,537,153	\$ 7,715,537
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	4,419,408	4,056,555
Temporarily restricted	1,093,084	371,184
Prepaid expenses and other current assets	38,007	14,263
Prepaid contract fee	101,176	-
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	34,700	59,205
Security deposit	15,695	15,695
	<u>15,695</u>	<u>15,695</u>
Total Assets	<u>\$13,239,223</u>	<u>\$12,232,439</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 221,167	\$ 367,755
Deferred income (Note 8)	425,115	289,010
Grants payable (Notes 1e and 5)	7,758,231	7,984,531
Total Liabilities	<u>8,404,513</u>	<u>8,641,296</u>
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	1,000,000	1,000,000
Other	2,019,262	2,159,817
Total Unrestricted	<u>3,019,262</u>	<u>3,159,817</u>
Temporarily restricted (Note 2b)	1,815,448	431,326
Total Net Assets	<u>4,834,710</u>	<u>3,591,143</u>
Total Liabilities and Net Assets	<u>\$13,239,223</u>	<u>\$12,232,439</u>

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets		
Revenue and Other Support		
Contributions (Note 1c)	\$ 5,805,210	\$ 6,743,325
In-kind donations (Note 7)	150,965	222,284
Earned income (Note 8)	919,717	472,452
Interest income	24,185	43,915
Miscellaneous income	1,940	3,530
	<u>6,902,017</u>	<u>7,485,506</u>
Net assets released from restriction		
Satisfaction of time and program restrictions	<u>285,893</u>	<u>87,096</u>
Total Revenue and Other Support	<u>7,187,910</u>	<u>7,572,602</u>
Expenses		
Program Services	<u>6,804,816</u>	<u>7,581,861</u>
Supporting Services		
Management and general	302,361	142,865
Fundraising	221,288	309,695
Total Supporting Services	<u>523,649</u>	<u>452,560</u>
Total Expenses	<u>7,328,465</u>	<u>8,034,421</u>
Decrease in Unrestricted Net Assets	<u>(140,555)</u>	<u>(461,819)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,670,015	317,668
Net assets released from restriction	<u>(285,893)</u>	<u>(87,096)</u>
Increase in Temporarily Restricted Net Assets	<u>1,384,122</u>	<u>230,572</u>
Increase (decrease) in net assets	1,243,567	(231,247)
Net assets, beginning of year	<u>3,591,143</u>	<u>3,822,390</u>
Net Assets, End of Year	<u><u>\$ 4,834,710</u></u>	<u><u>\$ 3,591,143</u></u>

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 1,243,567	\$ (231,247)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	24,505	11,404
(Increase) decrease in:		
Unconditional promises to give	(1,084,753)	184,973
Prepaid expenses and other current assets	(23,744)	23,094
Prepaid contract fee	(101,176)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(146,588)	173,681
Deferred income	136,105	289,010
Grants payable	(226,300)	1,587,364
Net Cash Provided (Used) By Operating Activities	<u>(178,384)</u>	<u>2,038,279</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>-</u>	<u>(53,631)</u>
Increase (decrease) in cash and equivalents	(178,384)	1,984,648
Cash and cash equivalents, beginning of year	<u>7,715,537</u>	<u>5,730,889</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,537,153</u></u>	<u><u>\$ 7,715,537</u></u>

See notes to financial statements.

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2011 AND 2010****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

BRAC USA, Inc. (the "Organization") is a not-for-profit corporation incorporated in New York, which was formed to bring about positive changes in the quality of life of poor individuals. The Organization collaborates with related BRAC organizations worldwide to promote human rights, dignity and gender equity through social, economic and human capacity building through direct grant making support.

b - Cash and Cash Equivalents

The Organization considers all short-term highly-liquid investments, such as money market funds, to be cash equivalents.

c - Contributions and Promises to Give

The Organization reports contributions received as unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

During 2011, the Organization received approximately 75% of its contributions from five foundations. During 2010, the Organization received approximately 64% of its contributions from two foundations and a foreign government agency. This percentage, in both years, is offset by earned income from another major source (see Note 8). At September 30, 2011 and 2010, approximately 70% and 87% of unconditional promises to give were due from two foundations and a foreign government agency, respectively.

d - Property and Equipment

Property and equipment acquired are recorded at cost. Donated property and equipment is recorded at its estimated fair value. Property and equipment will be depreciated using the straight-line method over the estimated useful life of the related asset.

e - Grants and Appropriations

Unconditional grants and appropriations are accrued at the time authorized. For grants which are conditional on the recipient fulfilling certain obligations prior to receiving funds, grants and appropriations are accrued at the time those conditions are satisfied.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

Note 1 - Organization and Summary of Significant Accounting Policies (continued)f - Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

g - Estimates

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

h - Tax Status

BRAC USA, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions were required in the financial statements.

i - Subsequent Events

The Organization has evaluated subsequent events through February 3, 2012, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Net Assetsa - Board Designated Reserve

During fiscal year 2010, the Board of Directors of the Organization established a board designated reserve fund of \$1,000,000.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2011</u>	<u>2010</u>
Due in less than one year	\$3,682,004	\$3,092,225
Due in one to three years	<u>1,930,015</u>	<u>1,452,062</u>
	5,612,019	4,544,287
Less: Discount to present value	<u>(99,527)</u>	<u>(116,548)</u>
	<u>\$5,512,492</u>	<u>\$4,427,739</u>

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

Note 3 - Unconditional Promises to Give (continued)

Uncollectible promises are expected to be insignificant. Unconditional promises to give for periods due after one year are discounted to net present value using a discount rate of 3%.

Note 4 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2011</u>	<u>2010</u>
Computer and equipment	5 years	\$15,592	\$15,592
Furniture and fixtures	7 years	10,000	10,000
Website	3 years	<u>53,631</u>	<u>53,631</u>
		79,223	79,223
Less: Accumulated depreciation		<u>(44,523)</u>	<u>(20,018)</u>
		<u>\$34,700</u>	<u>\$59,205</u>

Depreciation expense for the years ended September 30, 2011 and 2010 was \$24,505 and \$11,404, respectively.

Note 5 - Grants Payable

Grants payable are due as follows:

	<u>2011</u>	<u>2010</u>
Payable in less than one year	\$6,594,635	\$6,741,064
Payable in one to three years	<u>1,204,044</u>	<u>1,326,301</u>
	7,798,679	8,067,365
Less: Discount to present value	<u>(40,448)</u>	<u>(82,834)</u>
	<u>\$7,758,231</u>	<u>\$7,984,531</u>

Grants payable for periods paid after one year are discounted to net present value using a discount rate of 3%.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

Note 6 - Commitments

a - The Organization entered into a lease agreement for office space which expires on September 30, 2012.

The future minimum annual payments are \$92,400 through the year ending September 30, 2012.

Rent expense for the years ended September 30, 2011 and 2010 was \$89,709 and \$87,707, respectively.

b - The Organization has a voluntary salary reduction tax deferred 401(k) plan for the benefit of all qualifying employees. The Organization contributes up to 5% of the salary for all participants. Amounts contributed for the years ended September 30, 2011 and 2010 totaled \$18,667 and \$8,057, respectively.

Note 7 - In-Kind Donations

In 2011 and 2010, the Organization received donated services in connection with its programs as follows:

	<u>2011</u>	<u>2010</u>
Legal fees	\$140,965	\$222,284
Website design	<u>10,000</u>	<u>-</u>
	<u>\$150,965</u>	<u>\$222,284</u>

In 2011 and 2010, Mayer Brown provided legal services to review the BRAC Africa Loan Fund (which advances microfinance to the poor in East Africa), advise on possible structures to make equity investments and architecture for international operations. Also in 2011 and 2010, Weil, Gotshal & Manges LLP provided assistance in completing registration renewals in 50 states to carry out fundraising in the United States of America and in reviewing board policies and governance to ensure BRAC USA was in full compliance with the law and following best practices.

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2011 AND 2010****Note 8 - Earned Income**

Income earned by the Organization was principally derived from two contracts with the MasterCard Foundation related to project liaison services for BRAC Uganda and the Graduation Project with BRAC Development Institute.

Income is deferred upon receipt and is recognized in the period the work takes place per the contracts.

Note 9 - Concentration of Credit Risk

The Organization maintains its cash balances at three financial institutions located in New York City.

Note 10 - Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

ADDITIONAL INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors of
BRAC USA, Inc.

Our report on our audits of the basic financial statements of BRAC USA, Inc. for 2011 and 2010 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended September 30, 2011 with comparative totals for 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
February 3, 2012

BRAC USA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2011 WITH COMPARATIVE TOTALS 2010

	Program Services	Supporting Services			2011	2010 *
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 636,816	\$ 109,755	\$ 115,108	\$224,863	\$ 861,679	\$ 617,633
Professional fees	295,590	138,254	72,071	210,325	505,915	468,750
Contract fees	321,384	-	-	-	321,384	204,089
Grant expense	5,194,988	-	-	-	5,194,988	6,443,115
Occupancy	78,844	16,127	12,761	28,888	107,732	93,684
Office supplies and expenses	6,232	10,126	4,322	14,448	20,680	37,624
Marketing and direct mail fees	49	355	5,018	5,373	5,422	26,506
Insurance	4,335	747	784	1,531	5,866	10,000
Communications	14,532	8,647	747	9,394	23,926	14,389
Business meetings and travel expenses	109,380	10,621	3,697	14,318	123,698	87,857
BRAC Developmental Institute events and conferences	99,945	-	-	-	99,945	-
Miscellaneous	24,611	4,608	3,506	8,114	32,725	19,370
Depreciation	18,110	3,121	3,274	6,395	24,505	11,404
Total Expenses, 2011	<u>\$6,804,816</u>	<u>\$ 302,361</u>	<u>\$ 221,288</u>	<u>\$523,649</u>	<u>\$7,328,465</u>	
Total Expenses, 2010	<u>\$7,581,861</u>	<u>\$ 142,865</u>	<u>\$ 309,695</u>	<u>\$452,560</u>		<u>\$8,034,421</u>

* Certain amounts have been reclassified for comparative purposes.

See independent auditors' report on additional information.