

FINANCIAL STATEMENTS



BRAC USA, INC.

**FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

BRAC USA, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BRAC USA, Inc.
New York, New York

We have audited the accompanying financial statements of BRAC USA, Inc. (BRAC USA), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to 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 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 audits 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRAC USA as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

February 10, 2020

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 18,513,184	\$ 21,045,287
Restricted cash	1,253,062	-
Grants receivable, net of present value discount	4,377,712	8,091,280
Accounts receivable	412,098	153,811
Prepaid expenses	82,590	122,585
Property and equipment, net	108,769	122,508
Security deposits	<u>73,141</u>	<u>72,422</u>
TOTAL ASSETS	<u>\$ 24,820,556</u>	<u>\$ 29,607,893</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,218,219	\$ 601,919
Grants payable, net of present value discount	10,522,624	17,030,941
Refundable advance	1,854,718	3,202,827
Deferred contract revenue	55,037	192,567
Deferred rent	<u>119,111</u>	<u>112,032</u>
Total liabilities	<u>13,769,709</u>	<u>21,140,286</u>

NET ASSETS

Without donor restrictions:		
Undesignated	7,865,074	4,880,399
Board designated reserve	<u>1,500,000</u>	<u>1,500,000</u>
Total without donor restrictions	9,365,074	6,380,399
With donor restrictions	<u>1,685,773</u>	<u>2,087,208</u>
Total net assets	<u>11,050,847</u>	<u>8,467,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,820,556</u>	<u>\$ 29,607,893</u>

BRAC USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 9,837,683	\$ 5,927,140	\$ 15,764,823
Contract and other revenue	1,559,904	-	1,559,904
Interest income	140,872	-	140,872
In-kind contributions	65,951	-	65,951
Net assets released from donor restrictions	<u>6,328,575</u>	<u>(6,328,575)</u>	<u>-</u>
Total revenue and support	<u>17,932,985</u>	<u>(401,435)</u>	<u>17,531,550</u>
EXPENSES			
Program Services	<u>13,168,048</u>	<u>-</u>	<u>13,168,048</u>
Supporting Services:			
Management and General	763,643	-	763,643
Fundraising	<u>1,016,619</u>	<u>-</u>	<u>1,016,619</u>
Total supporting services	<u>1,780,262</u>	<u>-</u>	<u>1,780,262</u>
Total expenses	<u>14,948,310</u>	<u>-</u>	<u>14,948,310</u>
Changes in net assets	2,984,675	(401,435)	2,583,240
Net assets at beginning of year	<u>6,380,399</u>	<u>2,087,208</u>	<u>8,467,607</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,365,074</u>	<u>\$ 1,685,773</u>	<u>\$ 11,050,847</u>

BRAC USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 2,052,046	\$ 24,550,184	\$ 26,602,230
Contract and other revenue	1,049,812	-	1,049,812
Interest income	19,898	-	19,898
In-kind contributions	179,603	-	179,603
Net assets released from donor restrictions	<u>24,908,138</u>	<u>(24,908,138)</u>	<u>-</u>
Total revenue and support	<u>28,209,497</u>	<u>(357,954)</u>	<u>27,851,543</u>
EXPENSES			
Program Services	<u>25,957,714</u>	<u>-</u>	<u>25,957,714</u>
Supporting Services:			
Management and General	535,884	-	535,884
Fundraising	<u>785,873</u>	<u>-</u>	<u>785,873</u>
Total supporting services	<u>1,321,757</u>	<u>-</u>	<u>1,321,757</u>
Total expenses	<u>27,279,471</u>	<u>-</u>	<u>27,279,471</u>
Change in net assets before other item	930,026	(357,954)	572,072
OTHER ITEM			
De-obligated funds	<u>-</u>	<u>(362,915)</u>	<u>(362,915)</u>
Changes in net assets	930,026	(720,869)	209,157
Net assets at beginning of year	<u>5,450,373</u>	<u>2,808,077</u>	<u>8,258,450</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,380,399</u>	<u>\$ 2,087,208</u>	<u>\$ 8,467,607</u>

BRAC USA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Grants	\$ 8,867,484	\$ -	\$ -	\$ -	\$ 8,867,484
Salaries, payroll taxes and employee benefits	2,253,324	376,246	672,298	1,048,544	3,301,868
Professional fees	1,089,763	198,827	128,426	327,253	1,417,016
Business meetings and travel expenses	380,098	82,553	54,966	137,519	517,617
Occupancy	235,932	31,893	75,597	107,490	343,422
Contract fees	242,489	-	-	-	242,489
Dues and subscriptions	27,938	8,986	15,962	24,948	52,886
Conference and events	20,023	17,438	12,740	30,178	50,201
Miscellaneous	-	23,013	20,967	43,980	43,980
Office supplies and other expenses	13,051	18,351	398	18,749	31,800
Depreciation and amortization	20,163	3,366	6,016	9,382	29,545
Marketing and direct mail fees	-	-	23,943	23,943	23,943
Insurance	10,731	1,792	3,202	4,994	15,725
Telecommunications	7,052	1,178	2,104	3,282	10,334
TOTAL	\$ 13,168,048	\$ 763,643	\$ 1,016,619	\$ 1,780,262	\$ 14,948,310

See accompanying notes to financial statements.

BRAC USA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Grants	\$ 22,388,859	\$ -	\$ -	\$ -	\$ 22,388,859
Salaries, payroll taxes and employee benefits	1,948,121	328,520	460,550	789,070	2,737,191
Professional fees	807,199	55,028	108,293	163,321	970,520
Business meetings and travel expenses	370,697	67,603	65,461	133,064	503,761
Occupancy	104,967	30,560	55,628	86,188	191,155
Contract fees	151,055	-	-	-	151,055
Dues and subscriptions	36,140	5,303	19,648	24,951	61,091
Conference and events	63,312	16,163	9,742	25,905	89,217
Miscellaneous	41,434	6,080	22,526	28,606	70,040
Office supplies and other expenses	2,428	19,485	1,584	21,069	23,497
Depreciation and amortization	22,593	3,810	5,341	9,151	31,744
Marketing and direct mail fees	1,151	-	32,429	32,429	33,580
Insurance	10,558	1,781	2,496	4,277	14,835
Telecommunications	9,200	1,551	2,175	3,726	12,926
TOTAL	\$ 25,957,714	\$ 535,884	\$ 785,873	\$ 1,321,757	\$ 27,279,471

See accompanying notes to financial statements.

BRAC USA, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,583,240	\$ 209,157
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	29,545	31,744
Loss on disposal of property and equipment	-	2,748
Change in discount on long-term grants receivable	(100,289)	108,722
Change in discount on long-term grants payable	(50,733)	(64,249)
(Increase) decrease in:		
Restricted cash	(1,253,062)	-
Accounts receivable	(258,287)	20,841
Grants receivable	3,813,857	(3,281,235)
Prepaid expenses	39,995	(60,939)
Security deposits	(719)	(823)
Increase (decrease) in:		
Accounts payable and accrued expenses	616,300	49,225
Grants payable	(6,457,584)	9,390,754
Refundable advance	(1,348,109)	(1,323,211)
Deferred contract revenue	(137,530)	102,339
Deferred rent	<u>7,079</u>	<u>(68,991)</u>
Net cash (used) provided by operating activities	<u>(2,516,297)</u>	<u>5,116,082</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(15,806)</u>	<u>(22,758)</u>
Net cash used by investing activities	<u>(15,806)</u>	<u>(22,758)</u>
Net (decrease) increase in cash and cash equivalents	(2,532,103)	5,093,324
Cash and cash equivalents at beginning of year	<u>21,045,287</u>	<u>15,951,963</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 18,513,184</u>	<u>\$ 21,045,287</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 61,780</u>	<u>\$ 77,905</u>

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

BRAC USA, Inc. (BRAC USA) is a non-profit organization, incorporated and located in the State of New York. BRAC USA is the North American affiliate of BRAC, a global leader in developing and implementing cost-effective, evidence-based programs to assist the most marginalized people in extremely poor, conflict-prone and post-disaster settings.

Founded in 2006, BRAC USA's purpose is to raise awareness, mobilize resources and make grants to reduce poverty, improve health, provide education and empower women and girls.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended September 30, 2019 and applied retrospectively.

Cash and cash equivalents -

BRAC USA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, BRAC USA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Donated securities are recorded at fair value. BRAC USA's policy is to sell donated securities immediately.

Grants and accounts receivable -

Grants and accounts receivable are recorded at their net realizable value, which approximates fair value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense during the years ended September 30, 2019 and 2018 totaled \$29,545 and \$31,744, respectively.

Income taxes -

BRAC USA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. BRAC USA is not a private foundation.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Uncertain tax positions -

For the years ended September 30, 2019 and 2018, BRAC USA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes, and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Refundable advance -

BRAC USA and its affiliated entities (BRAC, BRAC International and BRAC UK) jointly support a global effort to advance one of BRAC's signature programs, the Ultra-Poor Graduation Initiative (the Initiative). The Initiative is funded by contracts with governments and non-governmental organizations. In addition, BRAC has committed up to \$9.2 million of the initial \$20 million five-year budget estimate for the Initiative.

BRAC USA houses a majority of the staff of the Initiative and incurs the vast majority of the related expenses. In order to alleviate the need to transfer funds on a frequent basis, BRAC and BRAC USA agreed that BRAC USA would retain \$5,037,009 in cash that was recorded as a grant to BRAC during the year ended September 30, 2015. BRAC, in turn, is satisfying the underlying grant requirements with resources it would otherwise provide to BRAC USA as part of its commitment to the Initiative.

BRAC USA recognizes the BRAC commitment as a contribution as expenses are incurred. BRAC USA incurred expenses totaling \$2,228,586 and \$1,728,784 towards the initiative for the years ended September 30, 2019 and 2018, respectively, of which \$1,348,109 and \$1,323,211 drew down the refundable advance. The remaining balances of \$1,854,718 and \$3,202,827 is recorded as a refundable advance as of September 30, 2019 and 2018, respectively. If at any point in the future the funds are no longer needed for the Initiative, the remaining balance would be refunded to BRAC.

Contract and other revenue -

Income earned by BRAC USA is principally derived from multiple contracts with The MasterCard Foundation and services provided to the Ultra-Poor Graduation Initiative, including the Government of Kenya. Income is also earned for the provisioning of fundraising and strategic program services to BRAC in Bangladesh related to BRAC University.

Deferred contract revenue consists of funds received prior to being earned. BRAC USA recognizes contract revenue in the period earned.

Net asset classification -

Net assets, revenues, 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 are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Net asset classification (continued) -

- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grants and contributions received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Unconditional promises to give represent amounts due from funding organizations for reimbursable expenses incurred in accordance with the award agreements; funds received in advance of incurring the related expenses are recorded as a refundable advance.

In-kind contributions -

In-kind contributions consist of pro-bono legal services (2018 and 2019) and solar power lamps (2018 only). In-kind contributions are recorded at their fair value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of BRAC USA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of September 30, 2018 as unrestricted net assets in the amount of \$6,380,399 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$2,087,208 are now classified as "net assets with donor restrictions"; these reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements (not yet adopted) -

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. BRAC USA has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. BRAC USA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

BRAC USA plans to adopt the new ASUs at the respective required implementation dates.

2. GRANTS RECEIVABLE

As of September 30, 2019 and 2018, BRAC USA has received commitments for support, in which \$4,423,761 and \$8,237,618, respectively, remained outstanding.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

2. GRANTS RECEIVABLE (Continued)

Amounts due beyond one year have been recorded at the net present value of the estimated cash flows, using a discount rate between 5.0% to 5.50%. Total amounts due are as follows as of September 30, 2019 and 2018:

	2019	2018
Less than one year	\$ 3,494,568	\$ 5,303,858
One to five years	929,193	2,933,760
Total	4,423,761	8,237,618
Less: Discount to net present value	(46,049)	(146,338)
TOTAL GRANTS RECEIVABLE	\$ 4,377,712	\$ 8,091,280

Conditional Promises to Give

During the year ended September 30, 2014, BRAC USA entered into a grant agreement with a private foundation totaling \$10,000,000, for the period September 1, 2014 through August 31, 2023. Of the total award, \$4,000,000 remains outstanding and is contingent upon the donor's satisfaction with the success of the project, including raising financial support from other donors. Accordingly, that portion of the award is deemed conditional and has not been recorded in the accompanying financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 186,930	\$ 184,406
Website	69,870	69,870
Total property and equipment	256,800	254,276
Less: Accumulated depreciation and amortization	(148,031)	(131,768)
NET PROPERTY AND EQUIPMENT	\$ 108,769	\$ 122,508

4. GRANTS PAYABLE

As of September 30, 2019 and 2018, BRAC USA has made written promises to give, of which \$10,666,659 and \$17,124,243, respectively, remained outstanding. Amounts payable beyond one year have been recorded at the net present value of the estimated cash flows, using a discount rate between 3.25% and 5.50%. Total amounts due are as follows as of September 30, 2019 and 2018:

	2019	2018
Less than one year	\$ 7,612,042	\$ 15,334,506
One to five years	3,054,617	1,789,737
Total	10,666,659	17,124,243
Less: Discount to net present value	(144,035)	(93,302)
GRANTS PAYABLE	\$ 10,522,624	\$ 17,030,941

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

5. BOARD DESIGNATED NET ASSETS

As of September 30, 2019 and 2018, the Board of Directors has reserved a total of \$1,500,000 (shown as designated net assets) for the purposes of assuring longer-term stability and sustainability.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2019 and 2018:

	2019	2018
Program Services	\$ <u>1,685,773</u>	\$ <u>2,087,208</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2019	2018
Program Services	\$ <u>6,328,575</u>	\$ <u>24,908,138</u>

During the year ended September 30, 2018, due to a change of intent (by certain donors) and currency fluctuation, \$362,915 of amounts that were previously recorded as net assets with donor restricted contributions will not be made available to BRAC USA, and therefore have been reflected as "De-obligated funds" in the "Other Item" section in the accompanying Statements of Activities and Changes in Net Assets.

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2019	2018
Cash and cash equivalents	\$ 18,513,184	\$ 21,045,287
Grants receivable, current	3,494,568	5,303,858
Accounts receivable	<u>412,098</u>	<u>153,811</u>
Subtotal financial assets available within one year	22,419,850	26,502,956
Less: Donor restricted funds	1,685,773	2,087,208
Less: Board designated funds	<u>1,500,000</u>	<u>1,500,000</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>19,234,077</u>	\$ <u>22,915,748</u>

BRAC USA has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, the Board designated funds can be available to draw on only if approved by the Board of Directors. As of September 30, 2019 and 2018, BRAC USA maintained financial assets equal to approximately fifteen and ten months of operating expenses, respectively.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

8. LEASE COMMITMENTS

BRAC USA leases office space under a seven year agreement which originated during August 2017. The lease includes a four month rent abatement, plus a proportionate share of expenses, increasing by a factor of 2% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statements of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending September 30,</u>	
2020	\$ 300,373
2021	309,257
2022	329,831
2023	336,427
2024	343,156
Thereafter	<u>58,143</u>
	<u>\$ 1,677,187</u>

Rent expense for the years ended September 30, 2019 and 2018 totaled \$343,422 and \$191,155, respectively. As of September 30, 2019 and 2018, the deferred rent liability aggregated \$119,111 and \$112,032, respectively.

9. RETIREMENT PLAN

BRAC USA provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. BRAC USA contributes up to 5% of the salary for all participants. Contributions to the Plan during the years ended September 30, 2019 and 2018 totaled \$96,075 and \$73,388, respectively.

10. CONCENTRATION OF REVENUE

Approximately 59% of BRAC USA's revenue during the year ended September 30, 2019 was derived from four donors. During the year ended September 30, 2018 approximately 51% of BRAC USA's revenue was derived from two foundations.

11. LOAN GUARANTEE

During the year ended September 30, 2019 BRAC USA entered into an agreement with BRAC International Holding BV (BIBV), Stichting BRAC International (BI) and the Overseas Private Investment Corporation (OPIC) in which BRAC USA has agreed to provide a partial guarantee of an OPIC credit facility obtained by BRAC Myanmar. The agreement required BRAC USA to guarantee 25% of the committed amount of the facility, totaling \$1,250,000. BRAC USA must keep the funds in a separate United States held account. To support this guarantee BIBV has agreed to re-allocate funds already provided to BRAC USA.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

11. LOAN GUARANTEE (Continued)

The funds are included in the accompanying Statements of Financial Position as follows:

Original guarantee	\$ 1,250,000
Interest earned	1,531
Interest payable	<u>1,531</u>
TOTAL RESTRICTED CASH	<u>\$ 1,253,062</u>
Re-allocated liabilities (included in Accounts payable and accrued expenses)	931,686
Re-allocated net assets with donor restrictions	319,845
Interest income	<u>1,531</u>
TOTAL ALLOCATED LIABILITIES AND NET ASSETS	<u>\$ 1,253,062</u>

After the loan period expires in January 2024, it is expected that the guaranteed funds would be recommitted to future projects, with the exception of 50% of any interest earned over the loan period. As of September 30, 2019 the restricted cash balance, including interest earned, totaled \$1,253,062.

12. SUBSEQUENT EVENTS

In preparing these financial statements, BRAC USA has evaluated events and transactions for potential recognition or disclosure through February 10, 2020, the date the financial statements were issued.