

SEWA INTERNATIONAL INC., USA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017



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SEWA INTERNATIONAL INC., USA

YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Sewa International Inc., USA

We have audited the accompanying financial statements of Sewa International Inc., USA, a Georgia nonprofit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, statements of functional expenses, and statements of 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 for nonprofit organizations 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sewa International Inc., USA, as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America.

Bankole, Okoye & Associates PC

Bankole, Okoye & Associates PC
Houston, Texas
May 3, 2019

Financial Statements

SEWA INTERNATIONAL INC., USA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,112,554	\$ 3,438,100
Investments (Notes 3 and 4)	3,744,935	55,326
Accounts receivable	450	5,000
Prepaid expenses	17,407	29,284
Property and equipment, net (Note 7)	<u>9,710</u>	<u>6,872</u>
TOTAL ASSETS	<u><u>\$ 4,885,056</u></u>	<u><u>\$ 3,534,582</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued liabilities	<u>\$ 37,809</u>	<u>\$ 29,067</u>
Total liabilities	<u>37,809</u>	<u>29,067</u>
NET ASSETS		
Without donor restrictions (Note 5)	3,117,283	2,011,167
With donor restrictions (Note 5)	<u>1,729,964</u>	<u>1,494,348</u>
Total net assets	<u>4,847,247</u>	<u>3,505,515</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,885,056</u></u>	<u><u>\$ 3,534,582</u></u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 1,850,178	\$ 2,125,489	\$ 3,975,667
Events registration and related revenues	113,048	-	113,048
Inkind revenues	191,000	-	191,000
Return on investments, net (Note 3)	(181,244)	-	(181,244)
Net assets released from restrictions upon satisfaction of purpose restrictions (Note 5)	1,829,035	(1,829,035)	-
Reclassifications of resources based on fund designation policy (Note 5)	<u>60,838</u>	<u>(60,838)</u>	<u>-</u>
TOTAL REVENUES	<u>3,862,855</u>	<u>235,616</u>	<u>4,098,471</u>
EXPENSES			
Program services	2,474,606	-	2,474,606
Fundraising	87,384	-	87,384
Administrative and general	<u>194,749</u>	<u>-</u>	<u>194,749</u>
TOTAL EXPENSES	<u>2,756,739</u>	<u>-</u>	<u>2,756,739</u>
CHANGE IN NET ASSETS	1,106,116	235,616	1,341,732
NET ASSETS, BEGINNING OF YEAR	<u>2,011,167</u>	<u>1,494,348</u>	<u>3,505,515</u>
NET ASSETS, END OF YEAR	<u>\$ 3,117,283</u>	<u>\$ 1,729,964</u>	<u>\$ 4,847,247</u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Contributions	\$ 2,275,554	\$ 1,844,962	\$ 4,120,516
Events registration and related revenues	133,688	-	133,688
Inkind revenues	16,714	-	16,714
Other income	60,204	-	60,204
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>1,387,301</u>	<u>(1,387,301)</u>	<u>-</u>
TOTAL REVENUES	<u>3,873,461</u>	<u>457,661</u>	<u>4,331,122</u>
EXPENSES:			
Program services	1,866,234	-	1,866,234
Fundraising	128,218	-	128,218
Administrative and general	<u>143,355</u>	<u>-</u>	<u>143,355</u>
TOTAL EXPENSES	<u>2,137,807</u>	<u>-</u>	<u>2,137,807</u>
CHANGE IN NET ASSETS	1,735,654	457,661	2,193,315
NET ASSETS, BEGINNING OF YEAR	<u>275,513</u>	<u>1,036,687</u>	<u>1,312,200</u>
NET ASSETS, END OF YEAR	<u>\$ 2,011,167</u>	<u>\$ 1,494,348</u>	<u>\$ 3,505,515</u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Administrative and General	Fundraising	Total
Charitable Activities and Expenses	\$ 1,417,318	\$ -	\$ -	\$ 1,417,318
Professional Services	165,046	25,918	-	190,964
Leasing and Rental Expenses	75,219	14,982	25,426	115,627
Payroll Expenses	367,532	82,764	27,079	477,375
Payroll Taxes	27,526	6,504	2,490	36,520
Contract Labor	8,300	-	-	8,300
Travels, Lodging and Meals	49,051	4,798	16,965	70,814
Donations of Food Items	30,740	-	-	30,740
Artists' Fees and Expenses	-	-	4,279	4,279
Bank Charges and Service Fees	46,007	123	2,899	49,029
Advertising and Promotional Expenses	40,468	4,675	1,431	46,574
Printing, Stationery, and Office Expenses	14,013	3,714	3,121	20,848
Bloomington Expenses	240	-	-	240
Registration Fees and Expenses	3,167	873	-	4,040
Materials and Supplies	51,107	4,523	3,641	59,271
Utilities and Telephones	14,570	3,040	-	17,610
Other Expenses	3,561	1,701	-	5,262
Insurance	2,044	3,865	-	5,909
Repairs and Maintenance	630	32,373	-	33,003
Shipping Charges	1,367	41	53	1,461
Inkind Expenses	156,700	-	-	156,700
Depreciation	-	4,855	-	4,855
TOTAL EXPENSES	<u>\$ 2,474,606</u>	<u>\$ 194,749</u>	<u>\$ 87,384</u>	<u>\$ 2,756,739</u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Total</u>
Charitable Activities and Expenses	\$ 1,360,924	\$ -	\$ -	\$ 1,360,924
Professional Services	75,590	50,652	6,726	132,968
Leasing and Rental Expenses	71,062	242	25,991	97,295
Payroll Expenses	198,586	58,007	44,860	301,453
Travels, Lodging and Meals	17,949	3,919	24,055	45,923
Donations of Food Items	22,830	-	-	22,830
Artists' Fees and Expenses	-	-	12,299	12,299
Bank Charges and Service Fees	21,903	281	3,348	25,532
Advertising and Promotional Expenses	34,629	4,796	1,082	40,507
Printing, Stationery, and Office Expenses	7,243	2,320	2,235	11,798
Registration Fees and Expenses	1,151	888	50	2,089
Materials and Supplies	35,433	6,307	7,572	49,312
Utilities and Telephones	4,103	2,942	-	7,045
Other Expenses	2,603	2,563	-	5,166
Insurance	3,680	5,289	-	8,969
Scholarships and Sponsorships	5,350	-	-	5,350
Repairs and Maintenance	1,897	1,593	-	3,490
Shipping Charges	1,301	122	-	1,423
Depreciation	-	3,434	-	3,434
TOTAL EXPENSES	<u>\$ 1,866,234</u>	<u>\$ 143,355</u>	<u>\$ 128,218</u>	<u>\$ 2,137,807</u>

The accompanying notes are an integral part of this financial statement.

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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 1,341,732</u>	<u>\$ 2,193,315</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,855	3,434
Value of donated stocks	-	(15,078)
Changes in operating assets and liabilities:		
Contribution receivable	4,550	(5,000)
Prepaid expenses	11,877	(28,484)
Accrued liabilities	<u>8,742</u>	<u>1,126</u>
Total adjustment	<u>30,024</u>	<u>(44,002)</u>
Net cash provided by operating activities	<u>1,371,756</u>	<u>2,149,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(3,689,609)	-
Purchases of property and equipment	<u>(7,693)</u>	<u>(10,306)</u>
Net cash used in investing activities	<u>(3,697,302)</u>	<u>(10,306)</u>
Net (decrease)/increase in cash and cash equivalents	(2,325,546)	2,139,007
Cash and cash equivalents, beginning of year	<u>3,438,100</u>	<u>1,299,093</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,112,554</u></u>	<u><u>\$ 3,438,100</u></u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 and 2017

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Sewa International Inc., USA, (the “Organization”) is a Hindu faith-based, humanitarian, nonprofit service organization incorporated in the State of Georgia on June 13, 2003, whose objective is to serve humanity in distress, aid local communities, and promote volunteerism, all as part of a vision in pursuit of a world of equality where everyone is happy, enjoying good health, and living in harmony with nature. The Organization devotes its resources mostly to disaster relief and rehabilitation and in development projects in the areas of health, education, empowerment, and community development. The Organization is affiliated with ‘Sewa International,’ a larger movement that started in India in 1989 and has currently spread to about 20 countries. Although the Organization and the ‘Sewa International’ movement are founded on similar philosophy and principles, the Organization is legally independent of the ‘Sewa International’ movement. The Organization maintains its own separate Board of Directors, and is independently registered in, and follows the applicable laws and regulations of the United States, as well as designs and operates its own programs.

The Organization is funded primarily through individual and corporate contributions and admission fees from fundraising events.

Basis of Accounting

The Financial Accounting Standards Board (“FASB”) is the designated organization for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities, including nonprofit organizations, in the United States of America.

The Organization reports its financial activities on the accrual basis of accounting. Under the accrual method, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses and asset additions are recognized at the time a liability arises which is normally at the time title passes to, or a service is received by, the Organization.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with the requirements of FASB’s Accounting Standards Codification (“ASC”) Topic 958-205, *Financial Statements of Nonprofit Organizations*, as amended by Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Nonprofit Entities*. Among other provisions, ASU No. 2016-14 requires enhanced disclosures around the nature and amount of net asset restrictions (both donor/externally imposed and board-designated). Accordingly, the Organization reports information regarding its financial position and activities according to the following two classes of net assets:

- ≈ *Net Assets without Donor/External Restrictions* – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.
- ≈ *Net Assets with Donor/External Restrictions* – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. This class of net assets also includes resources that are subject to donor

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restrictions requiring that the principal be held in perpetuity and any income thereon may be used by the Organization.

The Organization is also required by FASB ASC Topic 958-205, as amended, to present a statement of cash flows and an analysis of its expenses by both functional and natural classifications, as well as make enhanced disclosures about its liquidity and availability of resources.

Revenue Recognition

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, contributions received by the Organization are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor restrictions.

Contributions are recognized as revenues in the period the Organization receives any direct cash donation or any unconditional promises to give cash. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The Organization did not have any conditional promises to give as of December 31, 2018 or 2017. Contributions of assets other than cash are recorded at their estimated fair value at the date of the contribution. Contributions with donor-restrictions are reported as increases in net assets with donor-restrictions. When a restriction expires, net assets with donor-restrictions are reclassified to net assets without donor-restrictions and reported in the statement of activities as net assets released from restrictions. When both restricted and unrestricted resources are available for use for the same purpose, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

Registration fees and ticket sales revenues from fundraising events are recorded when cash is received from registrants or from the sales of the events' tickets.

Other incomes, including interest, dividends and other investment income, as well as miscellaneous revenues, are recognized when received.

Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Donated Services and Inkind Support

In accordance with FASB ASC Topic 958-605, *Non-for-Profit Entities - Accounting for Contributions Received and Contributions Made*, donated materials and services for which the Organization made no payment or compensation are recognized as inkind contributions at their estimated fair value at the date of receipt if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization received many hours of donated services from volunteers helping with the Organization's administrative and program activities. For the year ended December 31, 2018, the

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 and 2017

Organization recorded volunteer hours that totaled \$156,700, which are included in inkind revenues in the statement of activities. Volunteer hours were not recognized as revenues in the year ended December 31, 2017, since those services did not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States of America.

Donated Facilities

The Organization uses certain facilities for its office space and project sites for which it pays no rent. The Organization accounts for such contributions at the amounts the Organization would have paid for the facilities under existing lease agreements or based on current market rates to lease the facilities. For the years ended December 31, 2018 and 2017, the Organization has recorded a total of \$34,300 and \$16,000, respectively, for donated facilities, which are included in inkind revenues in the statements of activities.

Management's Judgment and Use of Estimates

The preparation of 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 following aspects of the financial statements:

- ≈ The reported amounts of assets and liabilities,
- ≈ The disclosure of contingent assets and liabilities at the date of the financial statements, and
- ≈ The reported amounts of revenues and expenses during the reporting period.

Significant estimate included in the financial statements relates primarily to the functional classifications of expenses.

Functional Allocation of Expenses

In accordance with FASB ASC Topic 958-720-45-2, *Functional Classification of Expenses*, the costs of providing various programs and other activities of the Organization have been summarized on a functional basis (i.e., expenses have been grouped according to the purpose for which they were incurred) in the statements of activities and in the statements of functional expenses. The primary functional classifications of the Organization's uses of resources are *program services expenses, administrative and general expenses, and fundraising expenses*. Administrative and general expenses include those expenses that are not directly identifiable with the core function but provide for the overall support and direction of the Organization. Fundraising expenses are costs incurred in connection with special events and other activities targeted at increasing public awareness and raising funds for the Organizations programs and activities. The Organization's core programs are described in Note 2.

Cash and Cash Equivalents

The Organization reports as cash and cash equivalents all monies in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition. The Organization had no cash equivalents as of December 31, 2018 or 2017. Management believes that the carrying amounts reported for cash in the statements of financial position approximate their fair values.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 and 2017

Investments

Stocks and other marketable securities purchased by or donated to the Organization are held for a period of time before they are sold. Such securities held at the year-end are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the net return on investments reported in the statements of activities. Returns from stock and other marketable securities are reported as an increase or decrease in net assets without donor-restrictions unless their use is limited by donor-imposed restrictions. Proceeds from sales of stocks and other marketable securities, which are temporarily held in money market accounts, are recorded as cash equivalents.

Property and Equipment

Property and equipment are generally recorded at cost. The Organization follows the policy of capitalizing all expenditures exceeding \$500 for each unit of property and equipment at cost (whether acquired by purchase or by donation). Property and equipment are depreciated and amortized using the straight-line method based on their estimated useful lives ranging from five years for equipment and furniture to 39 years for buildings and improvements. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the property or equipment are capitalized. Estimated useful lives of property and equipment are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Office equipment	3 years

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revises the nonprofit entities' financial reporting model. ASU No. 2016-14 became effective for the Organization's 2018 financial statements and the future years, and has been implemented by the Organization in 2018. Among other provisions, ASU No. 2016-14 requires enhanced disclosures regarding how the nonprofit entity manages its liquidity. The required enhanced disclosures also include disclosures about the amounts of expenses of the Organization by both their natural and functional classifications; and that this analysis of expenses should be provided in one location in the financial statements. The Organization has presented the statements of functional expenses as part of its basic financial statements, to satisfy the expense classifications requirement.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This Update requires a lessee of property under an operating lease agreement, such as but not limited to leases of an office or storage space, to recognize in the statement of financial position (a) a liability to make lease payments (the lease liability) and (b) a right-of-use "asset" representing its right to use the underlying asset for the lease term. The implementation of this new standard, which will become effective for the Organization's 2020 financial statements, would result in the following new accounting requirements:

- i. Initial measurement, and inclusion in the statement of financial position, of the right-of-use asset and the corresponding lease liability at the present value of the lease future payments based on the term of the lease;

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 and 2017

- ii. Recognition of a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and
- iii. Classification of all cash payments for operating leases within the operating activities section in the statement of cash flows.

The Organization is currently evaluating how ASU No. 2016-02 might affect the presentation of its financial statements.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is classified as a public charity under Section 509(a)(2) of the Code. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under Section 511 of the Code. The Organization did not conduct any unrelated business activities in the years ended December 31, 2018 and 2017. Accordingly, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization files Form 990, *Return of Organization Exempt from Income Tax*, for its exempt activities in the federal jurisdiction within the United States. The federal income tax returns of the Organization for years 2015 through 2017 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.

2. PROGRAMS

The Organization delivers a variety of programs in furtherance of its mission. Although the Organization is a Hindu faith-based humanitarian organization, it does not use any portion of its financial resources for proselytizing activities. In addition, the Organization maintains a non-discriminatory service philosophy. Accordingly, exposure, adherence, or conversion to any religious doctrine is not required from the beneficiaries of services provided by the Organization.

The costs of performing the following major program activities are included in the accompanying financial statements:

≈ Disaster Relief and Rehabilitation

The Organization executes rescue and relief activities immediately after a disaster, and supports rehabilitation projects from the stress caused by natural disasters such as floods, landslides, earthquakes, hurricanes, and forest fires that devastate humanity, animals and infrastructure.

≈ Family Services

Based on the concept of Hindu families, the Organization has developed and organized the Family Services program across its chapters with three main areas of focus:

- Emergency Support Services to needy families.
- Health and Wellness - Such as Stop Diabetes Movement - an initiative to prevent diabetes through therapy and the practice of yoga.

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- Awareness and Education – The Aspire Program focuses on the overall development of kids, giving them all the tools they require for social and academic success. After-school tutoring and homework assistance are available for youth in the underserved communities. Other educational activities include workshops on financial management and focused sessions based on age groups.

≈ Human Development and Empowerment

International Development Projects - International development projects are conducted by the Organization through and along with its sister organizations worldwide. Since the Sewa movement is in more than 20 countries, this network helps the Organization in implementing its development projects. Currently the Organization is focused on education, child and tribal welfare, youth and women empowerment, vocational training, rural development, and the environment.

Bhutanese Empowerment (in the USA) - The Organization played a significant role in the settlement, education, and support of Bhutanese refugees in various states across the USA during 2008 through 2013. Since 2013, main focus has been on youth and community empowerment in the Bhutanese refugee community. Due to the challenging nature of this project, the Organization also provided innovative programs, including women empowerment programs, skillset improvements, job and vocational training services, life skills improvement programs, education and emergency services.

≈ Volunteer Development

Volunteer Development projects are implemented by the Organization through its various Chapters in support of their local communities. The Organization provides volunteer resources to community organizations that require a particular task done such as: Spring cleaning of temples or city parks; soup kitchen; stocking the food banks; day visits to terminally or chronically ill children; managing and running community events; etc.

In addition, volunteer-based development programs focus on family services; child, tribal and refugee welfare; women empowerment; health; and education in the USA and many other countries. Youth internship programs are also conducted in the USA and other countries.

≈ Sponsor a Child

The *Sponsor a Child* project serves children of low-income families through donating fees, uniforms, books, subject coaching, career guidance, and counseling. The program provides a holistic development opportunity for students. Apart from their regular class work, all students can participate in sports and cultural events. They are also provided exposure to computers and video-based education.

≈ Girls' Toilet and Hygiene

The Toilet and Hygiene for a Girl Child Project was conceived to provide sanitation facilities to the vulnerable sections of our society by overcoming social and cultural norms of accepted practice of open defecation.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 and 2017

3. FAIR VALUE MEASUREMENTS AND INVESTMENTS

FASB ASC Topic 820-10, *Fair Value Measurements*, provides the definition of fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Statement also establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs).

The Organization measures and reports certain assets at fair value and within a hierarchal disclosure framework which prioritizes and ranks the level of observable inputs used in measuring fair value. At each balance sheet date, the Organization performs an analysis of all instruments subject to fair value measurements.

The fair value three-tier hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value under FASB ASC Topic 820-10 are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3: Less observable or unobservable inputs that are supported by little or no market activity.

The following is a summary of the Organization's financial instruments (not including cash) by level, within the fair value hierarchy, as of December 31, 2018:

	Fair Value Measurement			Total	Cost Basis
	Level 1	Level 2	Level 3		
<u>December 31, 2018:</u>					
Money Market Funds	\$ 1,024,215	\$ -	\$ -	\$ 1,024,215	\$ 1,024,215
Mutual Funds	1,778,020	-	-	1,778,020	1,818,693
Stocks/Equities	285,400	-	-	285,400	300,605
Gov Ppty Income Trust	206,100	-	-	206,100	275,341
Options	38,000	-	-	38,000	53,147
Other EFTs	413,200	-	-	413,200	446,900
Total	\$ 3,744,935	\$ -	\$ -	\$ 3,744,935	\$ 3,918,901

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NOTES TO FINANCIAL STATEMENTS
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The following is a summary of the Organization's financial instruments by level, within the fair value hierarchy, as of December 31, 2017:

	Fair Value Measurement			Total	Cost Basis
	Level 1	Level 2	Level 3		
<u>December 31, 2017:</u>					
Money Market Funds	\$ 11,501	\$ -	\$ -	\$ 11,501	\$ 11,842
Stocks/Equities	43,825	-	-	43,825	28,911
Total	<u>\$ 55,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,326</u>	<u>\$ 40,753</u>

The Organization's financial instruments are exposed to various risks such as custodial credit risks which are described in greater details in Note 4, interest rate risks, and market risks.

All assets have been valued using a market approach, except cash equivalents which are carried at book value because this value-basis is considered to approximate fair value at December 31, 2018 and 2017, due to the relatively short-term nature of these accounts. There were no changes in the valuations techniques applied to financial instruments during the years ended December 31, 2018 and 2017.

The following schedule summarizes investment returns in the statements of activities:

	2018	2017
Interest and dividend income	\$ 35,618	\$ 708
Net realized and unrealized (loss)/gain	(216,862)	5,137
Net return on investments	<u>\$ (181,244)</u>	<u>\$ 5,845</u>

4. CONCENTRATION OF CREDIT RISKS

Custodial credit risk refers to the risk that in the event of the failure of a depository financial institution, the depositor will not be able to recover the deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are not otherwise collateralized. The Organization's financial instruments that are subject to concentrations of credit risk consist of cash deposited with financial institutions and marketable securities held by brokers.

The Organization maintains cash deposit balances with financial institutions considered by management as credit-worthy and strong. These deposit balances may occasionally exceed limits insured by the Federal Deposit Insurance Corporation (FDIC), which is \$250,000 per customer per bank. Cash deposits include money market funds with financial institutions which are insured by FDIC because they did not meet the criteria to be insured by the Securities Investor Protection Corporation (SIPC). At December 31, 2018 and 2017, the Organization's deposit balances with certain financial institutions exceeded the FDIC insured limit by a combined total of approximately \$1,065,000 and \$2,910,000, respectively, which were not otherwise insured. The Organization did not experience any loss of assets resulting from a custodial credit risk during the years ended December 31, 2018 and 2017.

The Organization invested in marketable securities, including stocks, mutual funds, and other investment instruments described in Note 3. These investments valued at \$3,744,935 and \$55,326 as December 31, 2018 and 2017, respectively, which included cash components of \$837,278 and \$25,929 at December 31, 2018 and 2017, respectively, were held by U.S. investment companies. The SIPC insures each investor

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against custodial risks up to \$500,000, inclusive of a sublimit of \$250,000 for claims of cash. The Organization's securities were held by a SIPC-member company. Organization's investments in excess of SIPC insured limit were not otherwise insured.

5. NET ASSETS

Net Assets Without Donor-Restrictions:

The Organization's total net assets without donor-restrictions as of August 31, 2018 and 2017, was \$3,117,283 and \$2,011,167, respectively, which were available to support the Organization's programs and activities, of which \$2,907,657 and \$1,650,000 were designated by the Board for endowment as more fully described in Note 6.

Net Assets With Donor-Restrictions:

At December 31, 2018 and 2017, the total net assets with donor-restrictions in terms of the timing and the purpose of their use were \$1,729,964 and \$1,494,348, respectively. The following table identifies the composition of net assets with donor-restrictions and their total activities during the year 2018:

Program/Project Name	Balance at 12/31/2017	Additions in 2018	Spending in 2018	Resource Reclassifications to Comply with Fund Designation Policy	Balance at 12/31/2018
Disaster Relief Projects	\$ 440,913	\$ 67,394	\$ (22,545)	\$ -	\$ 485,762
Hurricane Harvey Case Grant	362,120	240,000	(510,999)	-	91,121
Hurricane Harvey Relief	346,980	303,372	(529,732)	-	120,620
Sponsor A Child	148,068	240,622	(205,023)	-	183,667
Family Services Projects	77,422	90,462	(70,363)	-	97,521
Stop Diabetes Movement	32,285	8,859	(3,379)	(37,765)	-
Toilet & Hygiene Project for Girl Child	21,103	41,815	(49,112)	-	13,806
Dharma Center of America	14,062	1,867	-	-	15,929
Yezdis Support	13,265	-	(12,681)	-	584
Equal Vision Goshala	11,394	152	(5,175)	(6,371)	-
Aspire	-	291,292	(200,764)	-	90,528
ABVKA Boys Hostel Construcion	-	29,844	(22,541)	-	7,303
California Wildfire Relief-2018	-	16,146	(666)	6,393	21,873
Dhyan Foundation	-	143,250	(68,250)	-	75,000
Eklavya Foundation	-	32,144	(32,144)	-	-
Hurricane Harvey HEART Grant	-	25,000	(25,000)	-	-
Karnataka Flood Relief 2018	-	51,558	-	-	51,558
Kerala Flood Relier 2018	-	506,195	(63,049)	-	443,146
Om Shanti Dham	-	11,000	-	-	11,000
Pragati Pratishtana	-	11,112	(1,547)	1,854	11,419
Various Smaller Projects	26,735	13,406	(6,065)	(24,949)	9,127
Total	\$ 1,494,348	\$ 2,125,489	\$ (1,829,035)	\$ (60,838)	\$ 1,729,964

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6. BOARD-DESIGNATED ENDOWMENT FUND

In 2017 the Organization received donations of \$1,650,000 without donor-restrictions from a family. In 2017 the Organization's governing board passed a voluntary resolution designating the donations altogether to function as the *Bhagawathibai Gehani Family Endowment Fund*, for an unspecified period of time, in honor of the donor. Additional donations of \$1,445,667 received from the donor in 2018 were added to the endowment fund.

The Organization has established investment and spending policies to govern the management of its endowment funds and other liquid assets in excess of its current spending requirements, which may be invested in marketable securities or other forms of investment instruments authorized by the governing board. Under this policy, the endowment assets are invested in a manner that is intended to preserve their purchasing power while assuming a moderate level of investment risk, as well as provide the Organization with a predictable and stable stream of financial support. The primary investment objective of the Organization is to earn an average annual return that exceeds the nominal spending rate policy plus the rate of inflation, net of all fees, including investment management advisory fees and custody charges, over the long term. The Organization's investment income spending policy allows the governing board to distribute no more than 5% of the net return on investments in any year to support the general purposes of the Organization.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the year ended December 31, 2018, were as follows:

	Board-Designated Endowment
Beginning balance at December 31, 2017	\$ 1,650,000
Contributions	1,445,667
Realized investment income	32,941
Net change in investment fair value	(220,951)
Amount appropriated for expenditures	-
Ending balance at December 31, 2018	\$ 2,907,657

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7. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31, 2018 and 2017:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Office Equipment	\$ 10,306	\$ 7,693	\$ -	\$ 17,999
Total Cost	10,306	7,693	-	17,999
Accumulated Depreciation	(3,434)	(4,855)	-	(8,289)
Property and Equipment, Net	<u>\$ 6,872</u>	<u>\$ 2,838</u>	<u>\$ -</u>	<u>\$ 9,710</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$4,855 and \$3,434, respectively.

8. LIQUIDITY MANAGEMENT

The Organization has \$1,950,282 of financial assets available within one year of the latest balance sheet date to meet cash needs for general expenditures, consisting of the following:

	2018
Cash and cash equivalents	\$ 1,112,554
Accounts receivable	450
Investments	3,744,935
Financial assets at year-end	4,857,939
Less those unavailable for general expenditures within one year, due to:	
Internal limits resulting from board designation of endowment funds	<u>(2,907,657)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,950,282</u>

The Organization reasonably estimates its cash needs on a month to month basis and is able to structure its financial assets to provide cash for its general expenditures, liabilities, and other obligations as they become due.

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9. LEASE COMMITMENT

The Organization leases apartment units for some of its program sites in Houston, Texas. The current leases will mature on December 31, 2019. The Organization enjoyed the use of the facilities on a rent-free basis in 2018 and 2017. The following table presents the minimum future payments under the current lease agreements:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	<u>\$ 21,300</u>

Apartment rental expenses for the years ended December 31, 2018 and 2017, which were included in inkind expenses in the statements of functional expenses, were \$21,100 and \$11,500, respectively.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2019. This was the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, which would require adjustments to, or disclosure in, the financial statements.