FINANCIAL STATEMENTS

BRAC USA, INC.

FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017

BRAC USA, INC.

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of BRAC USA, Inc. (BRAC USA), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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.

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, 2018, and the change 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.

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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from BRAC USA, Inc.'s 2017 financial statements, which were audited by other auditors and, in their report dated February 13, 2018, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Freedman

January 3, 2019

BRAC USA, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	2018	2017
ASSETS		
Cash and cash equivalents	$ 21,045,287	$ 15,951,963
Grants receivable, net of present value discount	8,091,280	4,918,767
Accounts receivable	153,811	174,652
Prepaid expenses	122,585	61,646
Property and equipment, net of accumulated depreciation and amortization of $131,768	122,508	134,242
Security deposits	72,422	71,599
TOTAL ASSETS	**$ 29,607,893**	**$ 21,312,869**

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 601,919	$ 552,694
Grants payable, net of present value discount	17,030,941	7,704,436
Refundable advance	3,202,827	4,526,038
Deferred contract revenue	192,567	90,228
Deferred rent	112,032	181,023
Total liabilities	21,140,286	13,054,419
NET ASSETS		
Unrestricted:		
Undesignated	4,880,399	3,950,373
Board designated reserve	1,500,000	1,500,000
Total unrestricted	6,380,399	5,450,373
Temporarily restricted	2,087,208	2,808,077
Total net assets	8,467,607	8,258,450
TOTAL LIABILITIES AND NET ASSETS	**$ 29,607,893**	**$ 21,312,869**

See accompanying notes to financial statements.

BRAC USA, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Grants and contributions	$ 2,052,046	$ 24,550,184	$ 26,602,230	$ 8,464,246
Contract and other revenue	1,049,812	-	1,049,812	605,899
Interest income	19,898	-	19,898	17,117
In-kind contributions	179,603	-	179,603	49,270
Other revenue	-	-	-	547
Net assets released from donor restrictions	24,908,138	(24,908,138)	-	-
Total revenue and support	28,209,497	(357,954)	27,851,543	9,137,079
EXPENSES				
Program Services	25,957,714	-	25,957,714	7,533,861
Supporting Services:				
Management and General	535,884	-	535,884	469,908
Fundraising	785,873	-	785,873	459,642
Total supporting services	1,321,757	-	1,321,757	929,550
Total expenses	27,279,471	-	27,279,471	8,463,411
Change in net assets before other item	930,026	(357,954)	572,072	673,668
OTHER ITEM				
De-obligated funds	-	(362,915)	(362,915)	-
Change in net assets	930,026	(720,869)	209,157	673,668
Net assets at beginning of year	5,450,373	2,808,077	8,258,450	7,584,782
NET ASSETS AT END OF YEAR	**$ 6,380,399**	**$ 2,087,208**	**$ 8,467,607**	**$ 8,258,450**

BRAC USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018					2017
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Grants	$ 22,388,859	$ -	$ -	$ -	$ 22,388,859	$ 5,001,386
Salaries, payroll taxes and employee benefits	1,948,121	328,520	460,550	789,070	2,737,191	2,031,544
Professional fees	807,199	55,028	108,293	163,321	970,520	650,309
Contract fees	151,055	-	-	-	151,055	105,935
Business meetings and travel expenses	370,697	67,603	65,461	133,064	503,761	297,264
Occupancy	104,967	30,560	55,628	86,188	191,155	192,993
Miscellaneous	41,434	6,080	22,526	28,606	70,040	13,643
Dues and subscriptions	36,140	5,303	19,648	24,951	61,091	58,008
Office supplies and expenses	2,428	19,485	1,584	21,069	23,497	28,751
Conference and events	63,312	16,163	9,742	25,905	89,217	21,157
Telecommunications	9,200	1,551	2,175	3,726	12,926	10,121
Marketing and direct mail fees	1,151	-	32,429	32,429	33,580	17,335
Insurance	10,558	1,781	2,496	4,277	14,835	16,002
Depreciation and amortization	22,593	3,810	5,341	9,151	31,744	18,963
TOTAL	**$ 25,957,714**	**$ 535,884**	**$ 785,873**	**$ 1,321,757**	**$ 27,279,471**	**$ 8,463,411**

See accompanying notes to financial statements.

BRAC USA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 209,157	$ 673,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,744	18,963
Loss on disposal of property and equipment	2,748	-
Change in discount on long-term grants receivable	108,722	(49,246)
Change in discount on long-term grants payable	(64,249)	82,094
Decrease (increase) in:		
Accounts receivable	20,841	80,912
Grants receivable	(3,281,235)	3,125,981
Prepaid expenses	(60,939)	(45,275)
Security deposits	(823)	(37,506)
Increase (decrease) in:		
Accounts payable and accrued expenses	49,225	44,499
Grants payable	9,390,754	(8,132,374)
Refundable advance	(1,323,211)	4,526,038
Deferred contract revenue	102,339	42,966
Deferred rent	(68,991)	78,685
Net cash provided by operating activities	5,116,082	409,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(22,758)	(116,609)
Net cash used by investing activities	(22,758)	(116,609)
Net increase in cash and cash equivalents	5,093,324	292,796
Cash and cash equivalents at beginning of year	15,951,963	15,659,167
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 21,045,287**	**$ 15,951,963**

See accompanying notes to financial statements.

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 the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The accompanying financial statements represent the activity of BRAC USA only. The financial activities of the BRAC affiliates are not consolidated with BRAC USA (in accordance with FASB ASC 958-810, *Not-for-Profit Entities*, *Consolidation*) as they do not share common management and operations, and are separately overseen by different governing bodies.

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.

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 year ended September 30, 2018 totaled $31,744.

Income taxes -

BRAC USA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

Income taxes (continued) -

Accordingly, no provision for income taxes has been made in the accompanying financial statements. BRAC USA is subject to tax on qualified transportation benefits it paid for its employees. BRAC USA is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 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) is funded partially 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 $1,728,784 towards the Initiative; of which $1,323,211 drew down the refundable advance. The remaining balance of $3,202,827 is recorded as a refundable advance as of September 30, 2018. 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 by 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 -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of BRAC USA and include both internally designated and undesignated resources.

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

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of BRAC USA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

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 in-kind legal services and solar power lamps. 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets.

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

New accounting pronouncements (not yet adopted) (continued) -

The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of BRAC USA's financial statements, it is not expected to alter BRAC USA's reported financial position.

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 Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. 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, 2018, contributors to BRAC USA have made written promises to give, of which $8,237,618 remained outstanding. Amounts due beyond one year (after September 30, 2019) have been recorded at the net present value of the estimated cash flows, using a discount rate of 5.25%.

2. GRANTS RECEIVABLE (Continued)

Total amounts due are as follows as of September 30, 2018:

Less than one-year	$ 5,303,858
One to five years	2,933,760
Total	8,237,618
Less: Discount to net present value	(146,338)
TOTAL GRANTS RECEIVABLE	**$ 8,091,280**

Conditional Promises to Give

During the year ended September 30, 2014, BRAC USA received a grant from 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.

During the year ended September 30, 2017, BRAC USA received a grant from a foundation totaling $1,673,513 (1,490,000 euros) for the period April 15, 2017 through April 15, 2021. Of the total award, $874,088 (740,000 euros) is contingent upon BRAC USA meeting certain milestones as defined in the grant agreement and 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, 2018:

Furniture and equipment	$ 184,406
Website	69,870
Total Property and equipment	254,276
Less: Accumulated depreciation and amortization	(131,768)
NET PROPERTY AND EQUIPMENT	**$ 122,508**

4. GRANTS PAYABLE

As of September 30, 2018, BRAC USA has made written promises to give, of which $17,124,243 remained outstanding. Amounts payable beyond one year (after September 30, 2019) have been recorded at the net present value of the estimated cash flows, using a discount rate of 5.25%. Total amounts due are as follows as of September 30, 2018:

Less than one-year	$ 15,334,506
One to five years	1,789,737
Total	17,124,243
Less: Discount (5.25%)	(93,302)
GRANTS PAYABLE	**$ 17,030,941**

5. BOARD DESIGNATED NET ASSETS

As of September 30, 2018, net assets have been designated by the Board of Directors totaling $1,500,000 for the purposes of assuring longer-term stability and sustainability.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2018:

Program Services	**$ 2,087,208**

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

Program Services	**$ 24,908,138**

Due to change intent (by certain donors) and currency fluctuation, $362,915 of amounts that were previously recorded as temporarily 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 Statement of Activities and Change in Net Assets.

7. 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 Statement of Financial Position.

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

Year Ending September 30,	
2019	$ 294,483
2020	300,373
2021	309,257
2022	329,831
2023	336,427
Thereafter	401,298
	$ 1,971,669

Rent expense for the year ended September 30, 2018 totaled $191,155. As of September 30, 2018, the deferred rent liability aggregated $112,032.

8. 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.

8. RETIREMENT PLAN (Continued)

BRAC USA contributes up to 5% of the salary for all participants. Contributions to the Plan during the year ended September 30, 2018 totaled $73,388.

9. CONCENTRATION OF REVENUE

Approximately 51% of BRAC USA's revenue during the year ended September 30, 2018 was derived from two foundations. BRAC USA has no reason to believe that relationships with these foundations will be discontinued in the foreseeable future.

10. SUBSEQUENT EVENTS

In preparing these financial statements, BRAC USA has evaluated events and transactions for potential recognition or disclosure through January 3, 2019, the date the financial statements were issued.