

BRAC USA, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2016 AND 2015

BRAC USA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BRAC USA, Inc.

We have audited the accompanying financial statements of BRAC USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 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, 2016 and 2015, 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.

Lotz + Carr, LLP

New York, New York
February 6, 2017

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015 *</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$15,659,167	\$15,614,173
Unconditional promises to give (Notes 1c and 3)	7,995,502	6,596,820
Accounts receivable	255,564	163,164
Prepaid expenses and other current assets	16,371	43,106
Property and equipment, at cost (net of accumulated depreciation) (Notes 1d and 4)	36,596	13,703
Security deposits	<u>34,093</u>	<u>33,921</u>
Total Assets	<u><u>\$23,997,293</u></u>	<u><u>\$22,464,887</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 508,195	\$ 205,647
Deferred income (Note 1f)	47,262	137,451
Grants payable (Notes 1e and 5)	15,754,716	11,866,630
Deferred rent (Note 1g)	<u>102,338</u>	<u>99,226</u>
Total Liabilities	<u>16,412,511</u>	<u>12,308,954</u>
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	1,500,000	1,500,000
Other	<u>4,114,781</u>	<u>3,425,714</u>
Total Unrestricted	5,614,781	4,925,714
Temporarily restricted (Note 2b)	<u>1,970,001</u>	<u>5,230,219</u>
Total Net Assets	<u>7,584,782</u>	<u>10,155,933</u>
Total Liabilities and Net Assets	<u><u>\$23,997,293</u></u>	<u><u>\$22,464,887</u></u>

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015 *		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets						
Revenue and Other Support						
Contributions (Note 1c)	\$ 1,121,442	\$15,284,227	\$16,405,669	\$ 735,572	\$14,184,551	\$14,920,123
In-kind donations (Note 7)	326,825	-	326,825	265,487	-	265,487
Contract and other revenue (Note 8)	533,371	-	533,371	849,289	-	849,289
Interest income	11,148	-	11,148	12,008	-	12,008
Miscellaneous income	2,685	-	2,685	-	-	-
Net assets released from restrictions	18,544,445	(18,544,445)	-	16,141,142	(16,141,142)	-
Total Revenue and Other Support	20,539,916	(3,260,218)	17,279,698	18,003,498	(1,956,591)	16,046,907
Expenses						
Program Services	18,851,477	-	18,851,477	15,761,708	-	15,761,708
Supporting Services						
Management and general	599,894	-	599,894	387,942	-	387,942
Fundraising	399,478	-	399,478	655,199	-	655,199
Total Supporting Services	999,372	-	999,372	1,043,141	-	1,043,141
Total Expenses	19,850,849	-	19,850,849	16,804,849	-	16,804,849
Increase (decrease) in net assets	689,067	(3,260,218)	(2,571,151)	1,198,649	(1,956,591)	(757,942)
Net assets, beginning of year	4,925,714	5,230,219	10,155,933	3,727,065	7,186,810	10,913,875
Net Assets, End of Year	\$ 5,614,781	\$ 1,970,001	\$ 7,584,782	\$ 4,925,714	\$ 5,230,219	\$10,155,933

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (2,571,151)	\$ (757,942)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	9,636	3,908
Deferred rent	3,112	9,414
(Increase) decrease in:		
Unconditional promises to give	(1,398,682)	3,213,588
Accounts receivable	(92,400)	(161,677)
Prepaid expenses and other current assets	26,735	8,584
Security deposits	(172)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	302,548	(349,811)
Deferred income	(90,189)	(140,321)
Grants payable	3,888,086	2,161,646
Net Cash Provided By Operating Activities	<u>77,523</u>	<u>3,987,389</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(32,529)</u>	<u>(5,716)</u>
Net increase in cash and equivalents	44,994	3,981,673
Cash and cash equivalents, beginning of year	<u>15,614,173</u>	<u>11,632,500</u>
Cash and Cash Equivalents, End of Year	<u><u>\$15,659,167</u></u>	<u><u>\$15,614,173</u></u>

See notes to financial statements.

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2016 AND 2015****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

BRAC USA, Inc. (the "Organization"), a not-for-profit corporation incorporated in New York, 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.

b - Cash and Cash Equivalents

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

c - Contributions and Promises to Give

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

During 2016, the Organization received approximately 78% of its contributions from four foundations and one corporation. During 2015, the Organization received approximately 72% of its contributions from six foundations. Approximately 81% and 96% of unconditional promises to give were due from three foundations and one corporation at September 30, 2016 and six foundations at September 30, 2015.

d - Property and Equipment

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

e - Grant Expense

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

f - Deferred Income

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

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2016 AND 2015****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**g - Deferred Rent

The Organization records rent expense associated with its office lease on a straight-line basis over the life of the lease (see Note 6a). The difference between the straight-line amount and the amount actually paid during the year is recorded as a liability and an expense in the accompanying financial statements.

h - Financial Statement Presentation

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

i - Estimates

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

j - Tax Status

BRAC USA, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k - Subsequent Events

The Organization has evaluated subsequent events through February 6, 2017, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Net Assetsa - Board Designated Reserve

The Board of Directors of the Organization has established a board designated reserve fund of \$1,500,000 for the purposes of assuring longer-term stability and sustainability.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets include funds whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those specifications.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 3 - Promises to Givea - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Future Programs and Periods</u>	<u>Total</u>
Due in less than one year	\$5,775,011	\$310,280	\$6,085,291
Due in one to five years	<u>1,586,390</u>	<u>410,683</u>	<u>1,997,073</u>
	7,361,401	720,963	8,082,364
Less: Discount on present value	<u>(74,811)</u>	<u>(12,051)</u>	<u>(86,862)</u>
	<u>\$7,286,590</u>	<u>\$708,912</u>	<u>\$7,995,502</u>
	<u>2015</u>		
	<u>Unrestricted</u>	<u>Future Programs and Periods</u>	<u>Total</u>
Due in less than one year	\$2,946,040	\$1,632,513	\$4,578,553
Due in one to five years	<u>293,791</u>	<u>1,851,715</u>	<u>2,145,506</u>
	3,239,831	3,484,228	6,724,059
Less: Discount on present value	<u>(8,863)</u>	<u>(118,376)</u>	<u>(127,239)</u>
	<u>\$3,230,968</u>	<u>\$3,365,852</u>	<u>\$6,596,820</u>

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

b - Conditional Promise to Give

During the year ended September 30, 2014, the Organization received a grant from a private foundation totaling \$10 million for the period September 1, 2014 through August 31, 2023. \$7,000,000 of the grant is contingent upon the donor's satisfaction with the success of the project including raising financial support from other donors, and accordingly, that portion of the grant has not been recorded in the accompanying financial statements.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 4 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2016</u>	<u>2015</u>
Computer and equipment	5 years	\$ 48,953	\$ 31,303
Furniture and fixtures	7 years	17,835	17,570
Capitalized software	3 years	<u>68,245</u>	<u>53,631</u>
		135,033	102,504
Less: Accumulated depreciation		<u>(98,437)</u>	<u>(88,801)</u>
		<u>\$ 36,596</u>	<u>\$ 13,703</u>

Depreciation expense for the years ended September 30, 2016 and 2015 was \$9,636 and \$3,908, respectively.

Note 5 - Grants Payable

Grants payable are due as follows:

	<u>2016</u>	<u>2015</u>
Payable in less than one year	\$13,316,928	\$10,587,598
Payable in one to three years	<u>2,548,935</u>	<u>1,375,354</u>
	15,865,863	11,962,952
Less: Discount to present value	<u>(111,147)</u>	<u>(96,322)</u>
	<u>\$15,754,716</u>	<u>\$11,866,630</u>

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

Note 6 - Commitments

a - The Organization is obligated under the terms of a lease for office space through March 31, 2023. The lease contains the unilateral right of the landlord to terminate the lease effective as of June 30, 2018 by providing the Organization with not less than eight months written notice. In addition to base rent, the lease requires additional rent for utilities and increases in real estate taxes.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 6 - Commitments (continued)

a - (continued)

The lease provides for minimum annual rentals as follows:

<u>Year Ending September 30,</u>	
2017	\$133,005
2018	136,688
2019	146,789
2020	150,885
2021	155,104
Thereafter, through March 31, 2023	241,413

Rent expense for the years ended September 30, 2016 and 2015 was \$135,832 and \$131,496, respectively.

b - The Organization has a voluntary salary reduction tax deferred 401(k) plan for the benefit of all qualifying employees. The Organization contributes up to 5% of the salary for all participants. Amounts contributed for the years ended September 30, 2016 and 2015 totaled \$17,302 and \$17,112, respectively.

Note 7 - In-Kind Donations

During the years ended September 30, 2016 and 2015, the Organization received donated services in connection with its programs as follows:

	<u>2016</u>	<u>2015</u>
Legal fees	\$271,700	\$125,000
Consulting	<u>55,125</u>	<u>140,487</u>
	<u>\$326,825</u>	<u>\$265,487</u>

In 2016 and 2015, Mayer Brown provided legal services in relation to the BRAC Microfinance portfolio and hosting of Board meetings and fundraising events for the Organization.

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2016 AND 2015****Note 8 - Contract and Other Revenue**

Income earned by the Organization is principally derived from multiple contracts with The MasterCard Foundation related to project liaison services for BRAC Uganda including the Scholars Program and Microfinance Multiplied Project. Income is also earned for provision of fundraising and strategic program services to BRAC in Bangladesh related to BRAC University.

Note 9 - Concentration of Credit Risk

The Organization maintains its cash balances at three financial institutions located in New York City. The Organization has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks.

Note 10 - Functional Expenses

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

SUPPLEMENTARY INFORMATION



LUZ AND CARR

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
BRAC USA, Inc.

We have audited the financial statements of BRAC USA, Inc. as of and for the years ended September 30, 2016 and 2015, and our report thereon dated February 6, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended September 30, 2016 with comparative totals for 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
February 6, 2017

BRAC USA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016 WITH COMPARATIVE TOTALS 2015

	Program Services	Supporting Services			2016	2015
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Grant expense	\$16,445,853	\$ -	\$ -	\$ -	\$16,445,853	\$14,009,951
Salaries, payroll taxes and employee benefits	1,193,421	208,115	300,907	509,022	1,702,443	1,343,350
Professional fees	577,947	283,385	15,729	299,114	877,061	512,450
Contract fees	257,773	-	-	-	257,773	242,912
Business meetings and travel expenses	185,825	61,306	9,373	70,679	256,504	257,969
Occupancy	102,115	15,532	18,185	33,717	135,832	131,496
Miscellaneous	26,907	9,657	35,533	45,190	72,097	56,752
Office supplies and expenses	11,196	14,036	988	15,024	26,220	35,929
Conference	18,871	2,763	1,310	4,073	22,944	152,846
Communications	14,171	2,471	3,573	6,044	20,215	26,149
Marketing and direct mail fees	2,323	-	10,079	10,079	12,402	15,189
Insurance	8,320	1,451	2,098	3,549	11,869	15,948
Depreciation	6,755	1,178	1,703	2,881	9,636	3,908
Total Expenses, 2016	<u>\$18,851,477</u>	<u>\$ 599,894</u>	<u>\$ 399,478</u>	<u>\$ 999,372</u>	<u>\$19,850,849</u>	
Percentages to Total, 2016	<u>95%</u>	<u>3%</u>	<u>2%</u>		<u>100%</u>	
Total Expenses, 2015	<u>\$15,761,708</u>	<u>\$ 387,942</u>	<u>\$ 655,199</u>	<u>\$1,043,141</u>		<u>\$16,804,849</u>
Percentages to Total, 2015	<u>94%</u>	<u>2%</u>	<u>4%</u>			<u>100%</u>

See independent auditors' report on supplementary information.