

FINANCIAL STATEMENTS



BRAC USA, INC.

**FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

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, 2020 and 2019, 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.

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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, 2020 and 2019, 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 1, 2021

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 57,513,716	\$ 18,513,184
Restricted cash	1,256,324	1,253,062
Accounts receivable	525,327	412,098
Grants receivable, net of present value discount	16,382,047	4,377,712
Prepaid expenses	132,125	82,590
Property and equipment, net	164,506	108,769
Security deposits	<u>73,472</u>	<u>73,141</u>
TOTAL ASSETS	<u>\$ 76,047,517</u>	<u>\$ 24,820,556</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,357,594	\$ 1,218,219
Grants payable, net of present value discount	11,882,910	10,522,624
Refundable advance	-	1,854,718
Deferred contract revenue	51,021	55,037
Deferred rent	<u>120,301</u>	<u>119,111</u>
Total liabilities	<u>13,411,826</u>	<u>13,769,709</u>

NET ASSETS

Without donor restrictions:		
Undesignated	8,155,161	7,865,074
Board designated reserve	<u>1,500,000</u>	<u>1,500,000</u>
Total without donor restrictions	9,655,161	9,365,074
With donor restrictions	<u>52,980,530</u>	<u>1,685,773</u>
Total net assets	<u>62,635,691</u>	<u>11,050,847</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 76,047,517</u>	<u>\$ 24,820,556</u>

BRAC USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 2,500,637	\$ 69,655,323	\$ 72,155,960
Contract and other revenue	1,224,145	-	1,224,145
Interest income	137,429	-	137,429
In-kind contributions	75,596	-	75,596
Net assets released from donor restrictions	<u>18,360,566</u>	<u>(18,360,566)</u>	<u>-</u>
Total revenue and support	<u>22,298,373</u>	<u>51,294,757</u>	<u>73,593,130</u>
EXPENSES			
Program Services	<u>19,544,853</u>	<u>-</u>	<u>19,544,853</u>
Supporting Services:			
Management and General	863,751	-	863,751
Fundraising	<u>1,599,682</u>	<u>-</u>	<u>1,599,682</u>
Total supporting services	<u>2,463,433</u>	<u>-</u>	<u>2,463,433</u>
Total expenses	<u>22,008,286</u>	<u>-</u>	<u>22,008,286</u>
Changes in net assets	290,087	51,294,757	51,584,844
Net assets at beginning of year	<u>9,365,074</u>	<u>1,685,773</u>	<u>11,050,847</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,655,161</u>	<u>\$ 52,980,530</u>	<u>\$ 62,635,691</u>

BRAC USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
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.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Grants	\$ 14,672,674	\$ -	\$ -	\$ -	\$ 14,672,674
Salaries, payroll taxes and employee benefits	2,621,775	519,682	1,266,159	1,785,841	4,407,616
Professional fees	1,196,083	193,357	83,042	276,399	1,472,482
Occupancy	236,357	39,037	102,718	141,755	378,112
Dues and subscriptions	295,016	12,806	17,584	30,390	325,406
Business meetings and travel expenses	194,743	27,301	70,264	97,565	292,308
Contract fees	245,625	-	-	-	245,625
Conference and events	25,438	18,205	3,063	21,268	46,706
Miscellaneous	-	25,934	16,873	42,807	42,807
Office supplies and other expenses	18,529	19,774	808	20,582	39,111
Depreciation and amortization	20,522	4,069	9,911	13,980	34,502
Marketing and direct mail fees	-	-	20,523	20,523	20,523
Insurance	9,889	1,960	4,776	6,736	16,625
Telecommunications	8,202	1,626	3,961	5,587	13,789
TOTAL	\$ 19,544,853	\$ 863,751	\$ 1,599,682	\$ 2,463,433	\$ 22,008,286

See accompanying notes to financial statements.

BRAC USA, INC.

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

	<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	\$ 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
Occupancy	235,932	31,893	75,597	107,490	343,422
Dues and subscriptions	27,938	8,986	15,962	24,948	52,886
Business meetings and travel expenses	380,098	82,553	54,966	137,519	517,617
Contract fees	242,489	-	-	-	242,489
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.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 51,584,844	\$ 2,583,240
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	34,502	29,545
Change in discount on long-term grants receivable	382,312	(100,289)
Change in discount on long-term grants payable	(29,543)	(50,733)
Receipt of donated securities	(40,108,304)	(61,780)
Sale of donated securities	39,839,071	57,808
Realized loss on sale of donated securities	269,233	3,972
(Increase) decrease in:		
Accounts receivable	(113,229)	(258,287)
Grants receivable	(12,386,647)	3,813,857
Prepaid expenses	(49,535)	39,995
Security deposits	(331)	(719)
Increase (decrease) in:		
Accounts payable and accrued expenses	139,375	616,300
Grants payable	1,389,829	(6,457,584)
Refundable advance	(1,854,718)	(1,348,109)
Deferred contract revenue	(4,016)	(137,530)
Deferred rent	<u>1,190</u>	<u>7,079</u>
Net cash provided (used) by operating activities	<u>39,094,033</u>	<u>(1,263,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(90,239)</u>	<u>(15,806)</u>
Net cash used by investing activities	<u>(90,239)</u>	<u>(15,806)</u>
Net increase (decrease) in cash and cash equivalents	39,003,794	(1,279,041)
Cash and cash equivalents at beginning of year	<u>19,766,246</u>	<u>21,045,287</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 58,770,040</u>	<u>\$ 19,766,246</u>
SUPPLEMENTAL INFORMATION:		
Cash and Cash Equivalents are Presented as Follows on the Statement of Financial Position:		
Cash and cash equivalents	\$ 57,513,716	\$ 18,513,184
Restricted cash	<u>1,256,324</u>	<u>1,253,062</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 58,770,040</u>	<u>\$ 19,766,246</u>

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

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.

BRAC USA partners with its affiliated entities (BRAC, BRAC International and BRAC UK) in furtherance of its mission. BRAC USA does not control these entities, and accordingly, the financial activities of the affiliates are not consolidated for financial reporting purposes.

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*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors 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.

New accounting pronouncement adopted -

During 2019, BRAC USA adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. BRAC USA adopted the ASU using a modified prospective basis.

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. Included in cash and cash equivalents are money market accounts and U.S. Treasury bills with maturities of three months or less (from the Statement of Financial Position date).

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

Cash and cash equivalents (continued) -

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 \$5,000 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. Website costs are capitalized in accordance with ASC 350-50. Depreciation and amortization expense during the years ended September 30, 2020 and 2019 totaled \$34,502 and \$29,545, 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.

Uncertain tax positions -

For the years ended September 30, 2020 and 2019, 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.

Revenue recognition -

Grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Awards qualifying as contributions are recorded by BRAC USA upon notification of the award and satisfaction of all conditions, if applicable.

Conditional awards are not recognized until the condition on which they depend are substantially met. Typically, conditional awards contain a measurable barrier, as well as a right of return or right of release from obligation provision, and BRAC USA has limited discretion over how funds transferred should be spent. As such, BRAC USA recognizes revenue for these conditional contributions when the related barrier has been overcome.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

Revenue recognition (continued) -

Awards from governments are deemed to be conditional, and accordingly are recognized as revenue at such time when the conditions have been met.

Unconditional awards are classified as net assets with donor restrictions when use of the awards is limited to specific programmatic areas or is designated for use in future periods. Awards 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. Awards received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Contributions received in the form of securities are recorded at fair value at the date of the gift. BRAC USA's policy is to sell donated securities immediately. Any gain or loss recognized from the sale of donated securities is recorded in contributions revenue.

BRAC USA recognizes contract revenue in the period earned; such income is principally derived from The MasterCard Foundation, services to BRAC in Bangladesh related to BRAC University and services provided by the Ultra-Poor Graduation Initiative. Such contracts are treated as exchange transactions, as such agreements are based on a set transaction price (set by the contracting entity) and not a function reimbursed costs. Funds received in advance of revenue recognition are recorded as deferred revenue.

In-kind contributions -

In-kind contributions consist of pro-bono legal services. 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may impact BRAC USA's operations. The overall potential impact is unknown at this time.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents.

New accounting pronouncements (not yet adopted) -

ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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

2. GRANTS RECEIVABLE

As of September 30, 2020 and 2019, BRAC USA has received commitments for support, in which \$16,810,408 and \$4,423,761, respectively, remained outstanding. Amounts due beyond one year have been recorded at the net present value of the estimated cash flows, using a discount rate between 3.25% to 5.00%.

Total amounts due are as follows as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 4,322,488	\$ 3,494,568
One to five years	<u>12,487,920</u>	<u>929,193</u>
Total	16,810,408	4,423,761
Less: Discount to net present value	<u>(428,361)</u>	<u>(46,049)</u>
TOTAL GRANTS RECEIVABLE	<u>\$ 16,382,047</u>	<u>\$ 4,377,712</u>

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. GRANTS RECEIVABLE (Continued)

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 was outstanding as of September 30, 2020 and is contingent upon the donor's satisfaction with the success of the project. Accordingly, that portion of the award is deemed conditional and has not been recorded in the accompanying financial statements. This amount was received in October 2020.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 215,313	\$ 186,930
Website	122,335	69,870
Total property and equipment	337,648	256,800
Less: Accumulated depreciation and amortization	(173,142)	(148,031)
NET PROPERTY AND EQUIPMENT	\$ 164,506	\$ 108,769

4. GRANTS PAYABLE

As of September 30, 2020 and 2019, BRAC USA has made written promises to give, of which \$12,056,488 and \$10,666,659, respectively, remained outstanding. Amounts payable beyond one year have been recorded at the net present value of the estimated cash outflows, using a discount rate between 3.25% and 4.75%. Total amounts due are as follows as of September 30, 2020 and 2019:

	2020	2019
Less than one year	\$ 7,373,731	\$ 7,612,042
One to five years	4,682,757	3,054,617
Total	12,056,488	10,666,659
Less: Discount to net present value	(173,578)	(144,035)
GRANTS PAYABLE	\$ 11,882,910	\$ 10,522,624

5. ULTRA-POOR GRADUATION INITIATIVE

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).

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

5. ULTRA-POOR GRADUATION INITIATIVE (Continued)

The Initiative is funded by contracts with governments and non-governmental organizations. In addition, BRAC committed up to \$9,200,000 of the initial \$20,000,000 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, satisfied 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 with the balance remaining recorded as a refundable advance. During the year ended September 30, 2020, The Audacious Project selected the Initiative as a 2020 Audacious Project Partner with grant commitments (some conditional) totaling \$64,500,000, of which \$42,900,000 was received. The balance of the refundable advance as of September 30, 2019 (totaling \$1,854,718) was drawn down in advance of this infusion of this new funding.

6. BOARD DESIGNATED NET ASSETS

As of September 30, 2020 and 2019, 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.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2020 and 2019:

	2020	2019
Program Services	\$ 2,356,160	\$ 1,685,773
Ultra-Poor Graduation Initiative	50,624,370	-
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 52,980,530	\$ 1,685,773

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:

	2020	2019
Program Services	\$ 16,200,464	\$ 6,328,575
Ultra-Poor Graduation Initiative	2,160,102	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 18,360,566	\$ 6,328,575

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LIQUIDITY AND AVAILABILITY

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

	2020	2019
Cash and cash equivalents	\$ 57,513,716	\$ 18,513,184
Grants receivable, current	4,322,488	3,494,568
Accounts receivable	525,327	412,098
Subtotal financial assets available within one year	62,361,531	22,419,850
Less: Current portion of donor restricted funds	(43,813,861)	(1,428,895)
Less: Board designated funds	(1,500,000)	(1,500,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 17,047,670	\$ 19,490,955

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, if approved by the Board of Directors.

For purposes of calculating liquidity, BRAC USA excludes any estimate for outgoing grants, as these are conditional on the basis of available funding. As of September 30, 2020 and 2019, BRAC USA maintained financial assets equal to approximately 28 and 38 months of total general operating expenses (excluding contingent outgoing grants), respectively.

9. 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:

Year Ending September 30,

2021	\$ 309,257
2022	329,831
2023	336,427
2024	343,156
2025	58,143
	\$ 1,376,814

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. LEASE COMMITMENTS (Continued)

Rent expense for the years ended September 30, 2020 and 2019 totaled \$378,112 and \$343,422, respectively. As of September 30, 2020 and 2019, the deferred rent liability aggregated \$120,301 and \$119,111, respectively.

10. RETIREMENT PLAN

BRAC USA provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with three months 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, 2020 and 2019 totaled \$139,514 and \$96,075, respectively.

11. CONCENTRATION OF REVENUE

Approximately 80% and 59% of BRAC USA's revenue during the years ended September 30, 2020 and September 30, 2019 was derived from four donors, respectively. BRAC USA has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect BRAC USA's ability to finance ongoing operations.

12. 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.

The funds are included in the accompanying Statements of Financial Position as follows as of September 30, 2020 and 2019:

	2020	2019
Original guarantee	\$ 1,250,000	\$ 1,250,000
Interest earned	3,162	1,531
Interest payable	3,162	1,531
TOTAL RESTRICTED CASH	\$ 1,256,324	\$ 1,253,062
Re-allocated liabilities (included in accounts payable and accrued expenses)	\$ 931,686	\$ 931,686
Re-allocated net assets with donor restrictions	319,845	319,845
Interest income	4,793	1,531
TOTAL ALLOCATED LIABILITIES AND NET ASSETS	\$ 1,256,324	\$ 1,253,062

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

12. LOAN GUARANTEE (Continued)

After the credit facility 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.

13. SUBSEQUENT EVENTS

In preparing these financial statements, BRAC USA has evaluated events and transactions for potential recognition or disclosure through February 1, 2021, the date the financial statements were issued.