

FINANCIAL STATEMENTS



BRAC USA, INC.

**FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022**

BRAC USA, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of September 30, 2023 and 2022	4
EXHIBIT B - Statement of Activities and Changes in Net Assets, for the Year Ended September 30, 2023	5
EXHIBIT C - Statement of Activities and Changes in Net Assets, for the Year Ended September 30, 2022	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended September 30, 2023	7
EXHIBIT E - Statement of Functional Expenses, for the Year Ended September 30, 2022	8
EXHIBIT F - Statements of Cash Flows, for the Years Ended September 30, 2023 and 2022	9
NOTES TO FINANCIAL STATEMENTS	10 - 19



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of BRAC USA, Inc. (BRAC USA), which comprise the statements of financial position as of September 30, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BRAC USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BRAC USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BRAC USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BRAC USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024, on our consideration of BRAC USA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BRAC USA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRAC USA's internal control over financial reporting and compliance.



May 10, 2024

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,908,175	\$ 34,170,397
Restricted cash	1,272,858	1,259,348
Investments	29,933,034	4,112,283
Accounts receivable	783,484	389,892
Grants receivable, net	11,909,771	18,434,640
Prepaid expenses	133,905	104,578
Property and equipment, net	30,979	63,400
Security deposits	73,240	73,240
Right-of-use asset - Financing, net	3,326	-
Right-of-use asset - Operating, net	<u>341,639</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 51,390,411</u>	<u>\$ 58,607,778</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,993,441	\$ 1,984,509
Grants payable, net	34,181,116	40,271,371
Finance lease liability	3,395	-
Operating lease liability	391,114	-
Deferred rent	<u>-</u>	<u>84,338</u>
Total liabilities	<u>36,569,066</u>	<u>42,340,218</u>

NET ASSETS

Without donor restrictions:		
Undesignated	6,788,992	6,406,997
Board designated reserve	<u>1,500,000</u>	<u>1,500,000</u>
Total without donor restrictions	8,288,992	7,906,997
With donor restrictions	<u>6,532,353</u>	<u>8,360,563</u>
Total net assets	<u>14,821,345</u>	<u>16,267,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,390,411</u>	<u>\$ 58,607,778</u>

BRAC USA, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 1,599,094	\$ 9,999,764	\$ 11,598,858
U.S. Federal grants	2,014,580	-	2,014,580
Contract and other revenue	1,165,488	-	1,165,488
Interest income	357,183	-	357,183
Investment income	869,965	48,681	918,646
Net assets released from donor restrictions	<u>11,876,655</u>	<u>(11,876,655)</u>	<u>-</u>
Total revenue and support	<u>17,882,965</u>	<u>(1,828,210)</u>	<u>16,054,755</u>
EXPENSES			
Program Services	<u>14,088,350</u>	<u>-</u>	<u>14,088,350</u>
Supporting Services:			
Management and General	1,541,445	-	1,541,445
Fundraising	<u>1,871,175</u>	<u>-</u>	<u>1,871,175</u>
Total supporting services	<u>3,412,620</u>	<u>-</u>	<u>3,412,620</u>
Total expenses	<u>17,500,970</u>	<u>-</u>	<u>17,500,970</u>
Changes in net assets	381,995	(1,828,210)	(1,446,215)
Net assets at beginning of year	<u>7,906,997</u>	<u>8,360,563</u>	<u>16,267,560</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,288,992</u>	<u>\$ 6,532,353</u>	<u>\$ 14,821,345</u>

BRAC USA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 1,810,182	\$ 42,471,818	\$ 44,282,000
Contract and other revenue	1,506,741	-	1,506,741
Interest income	83,848	-	83,848
Investment loss	(930,241)	-	(930,241)
Net assets released from donor restrictions	<u>46,426,375</u>	<u>(46,426,375)</u>	<u>-</u>
Total revenue and support	<u>48,896,905</u>	<u>(3,954,557)</u>	<u>44,942,348</u>
EXPENSES			
Program Services	<u>46,858,710</u>	<u>-</u>	<u>46,858,710</u>
Supporting Services:			
Management and General	970,974	-	970,974
Fundraising	<u>2,090,063</u>	<u>-</u>	<u>2,090,063</u>
Total supporting services	<u>3,061,037</u>	<u>-</u>	<u>3,061,037</u>
Total expenses	<u>49,919,747</u>	<u>-</u>	<u>49,919,747</u>
Changes in net assets	(1,022,842)	(3,954,557)	(4,977,399)
Net assets at beginning of year	<u>8,929,839</u>	<u>12,315,120</u>	<u>21,244,959</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,906,997</u>	<u>\$ 8,360,563</u>	<u>\$ 16,267,560</u>

BRAC USA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Grant expense	\$ 10,549,355	\$ -	\$ -	\$ -	\$ 10,549,355
Salaries, payroll taxes and employee benefits	1,548,855	730,094	1,472,282	2,202,376	3,751,231
Professional fees	1,249,924	526,482	74,016	600,498	1,850,422
Contract fees	513,837	-	-	-	513,837
Occupancy	139,951	27,484	178,868	206,352	346,303
Business meetings and travel expenses	46,052	89,929	57,227	147,156	193,208
Dues and subscriptions	9,526	45,277	48,609	93,886	103,412
Miscellaneous	816	93,327	7,461	100,788	101,604
Depreciation and amortization	14,885	7,016	14,150	21,166	36,051
Insurance	10,529	4,963	10,008	14,971	25,500
Conference and events	1,466	9,259	1,911	11,170	12,636
Office supplies and expenses	81	6,257	3,123	9,380	9,461
Telecommunications	3,073	1,357	3,520	4,877	7,950
TOTAL	\$ 14,088,350	\$ 1,541,445	\$ 1,871,175	\$ 3,412,620	\$ 17,500,970

BRAC USA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Grant expense	\$ 42,999,872	\$ -	\$ -	\$ -	\$ 42,999,872
Salaries, payroll taxes and employee benefits	1,665,093	629,127	1,590,035	2,219,162	3,884,255
Professional fees	1,350,010	182,457	188,754	371,211	1,721,221
Contract fees	445,185	451	3,701	4,152	449,337
Occupancy	202,508	2,169	137,196	139,365	341,873
Business meetings and travel expenses	108,978	66,347	76,493	142,840	251,818
Dues and subscriptions	20,336	52,052	30,248	82,300	102,636
Conference and events	20,671	9,494	22,629	32,123	52,794
Depreciation and amortization	17,588	6,645	16,795	23,440	41,028
Office supplies and expenses	14,544	16,330	3,855	20,185	34,729
Insurance	8,981	3,393	8,576	11,969	20,950
Miscellaneous	991	1,015	8,006	9,021	10,012
Telecommunications	3,953	1,494	3,775	5,269	9,222
TOTAL	\$ 46,858,710	\$ 970,974	\$ 2,090,063	\$ 3,061,037	\$ 49,919,747

BRAC USA, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,446,215)	\$ (4,977,399)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	32,421	41,028
Unrealized (gain) loss	(652,136)	930,241
Realized loss	39,909	-
Loss on disposal of property and equipment	-	77,491
Change in discount on long-term grants receivable	142,109	(118,581)
Change in discount on long-term grants payable	(1,586,059)	(874,803)
Amortization of right-of-use asset - operating lease	278,396	-
Amortization of right-of-use asset - finance lease	3,630	-
(Increase) decrease in:		
Accounts receivable	(393,592)	71,486
Grants receivable	6,382,760	1,463,887
Prepaid expenses	(29,327)	20,122
Security deposits	-	(26)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,932	270,090
Grants payable	(4,504,196)	25,487,725
Deferred contract revenue	-	(343,753)
Operating lease liability	(313,259)	-
Deferred rent	-	(28,268)
Net cash (used) provided by operating activities	<u>(2,036,627)</u>	<u>22,019,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(26,191,548)	(5,042,524)
Proceeds from sales of investments	<u>983,092</u>	<u>-</u>
Net cash used by investing activities	<u>(25,208,456)</u>	<u>(5,042,524)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease	<u>(3,629)</u>	<u>-</u>
Net cash used by financing activities	<u>(3,629)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(27,248,712)	16,976,716
Cash and cash equivalents at beginning of year	<u>35,429,745</u>	<u>18,453,029</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,181,033</u>	<u>\$ 35,429,745</u>
SUPPLEMENTAL INFORMATION:		
Cash and Cash Equivalents are Presented as Follows on the Statement of Financial Position:		
Cash and Cash Equivalents	\$ 6,908,175	\$ 34,170,397
Restricted Cash	<u>1,272,858</u>	<u>1,259,348</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 8,181,033</u>	<u>\$ 35,429,745</u>
SCHEDULE OF NONCASH TRANSACTIONS:		
Operating Right-of-Use Asset	<u>\$ 620,035</u>	<u>\$ -</u>
Finance Right-of-Use Asset	<u>\$ 6,955</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 704,373</u>	<u>\$ -</u>
Finance Lease Liability for Right-of-Use Asset	<u>\$ 6,955</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

BRAC USA, Inc. (BRAC USA) is a non-profit organization, incorporated 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 Global; BRAC Bangladesh; Stichting BRAC International, including its subsidiaries, BRAC International Holding BV and BRAC International country offices; 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

During the year ended September 30, 2023, BRAC USA adopted ASU 2019-01, *Leases* (Topic 842), which changed 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. BRAC USA applied the new standard using the modified retrospective approach. See Note 9 for further details.

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.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Cash and cash equivalents (continued) -

Included in cash and cash equivalents are money market and savings and time deposit accounts. 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.

Investments -

Investments are recorded at their readily determinable fair value. Interest is included in interest income, while dividends, realized and unrealized gains and losses are included in investment income (loss) in the Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. BRAC USA's policy is to liquidate all gifts of investments as soon as possible after the gift. Any gain or loss recognized from the sale of donated securities is recorded in contributions revenue.

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, 2023 and 2022 totaled \$32,421 and \$41,028, 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, 2023 and 2022, 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.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Revenue recognition -

Grants and contributions -

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. BRAC USA performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.

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".

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. Awards from governments are deemed to be conditional, and accordingly are recognized as revenue at such time when the conditions have been met. As all conditions have been met at the time of recognition, these government awards are recognized as revenue "without donor restrictions". BRAC USA had \$2,334,218 and \$3,582,808 in unrecognized conditional assistance awards as of September 30, 2023 and 2022, respectively.

Contract and other revenue -

Grants classified as exchange transactions follow ASU 2014-09, Revenue from Contracts With Customers, and are recorded as revenue at a point in time when the performance obligations are met. BRAC USA has elected to opt out of all (or certain) disclosures not required for nonpublic entities.

BRAC USA recognizes contract revenue in the period earned as performance milestones are met. This revenue is principally derived from contracts with partners for advisory services related to Ultra-Poor Graduation and Youth Empowerment, and services provided to BRAC University. Such contracts are treated as exchange transactions, as such agreements are based on a set transaction price (set by the contracting entity) and are not a function of reimbursed costs. Funds received in advance of revenue recognition are recorded as deferred revenue.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Revenue recognition (continued) -

Contract and other revenue (continued) -

Contract and other revenue consisted of the following for the years ended September 30, 2023 and 2022, respectively:

	2023	2022
Ultra-Poor Graduation and Youth Empowerment		
Technical Assistance	\$ 653,854	\$ 1,200,340
Services to BRAC Affiliates	386,154	102,053
Other	125,480	204,348
TOTAL CONTRACT AND OTHER REVENUE	\$ 1,165,488	\$ 1,506,741

Accounts receivable consisted of the following as of September 30, 2023 and 2022, respectively:

	2023	2022
Ultra-Poor Graduation and Youth Empowerment		
Technical Assistance	\$ 421,973	\$ 232,977
Services to BRAC Affiliates	259,017	153,167
Other	102,494	3,748
TOTAL ACCOUNTS RECEIVABLE	\$ 783,484	\$ 389,892

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 actual time and effort or other reasonable basis.

New accounting pronouncement not yet adopted -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for BRAC USA for the year ending September 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

BRAC USA plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption methods and the impacts of the new standard on its accompanying financial statements.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

2. INVESTMENTS

Investments consisted of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Equities	\$ 1,855,892	\$ 1,557,742
Exchange traded funds	2,596,361	2,554,541
Government securities	<u>25,480,781</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 29,933,034</u>	<u>\$ 4,112,283</u>

Included in investment income (loss) are the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 306,419	\$ -
Unrealized gain (loss)	652,136	(930,241)
Realized loss	<u>(39,909)</u>	<u>-</u>
TOTAL INVESTMENT INCOME (LOSS)	<u>\$ 918,646</u>	<u>\$ (930,241)</u>

3. GRANTS RECEIVABLE

As of September 30, 2023 and 2022, BRAC USA has received commitments for support, in which \$12,283,913 and \$18,666,673, 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 ranging between 3.50% to 6.25%.

Total amounts due are as follows as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 6,634,527	\$ 11,638,794
One to five years	<u>5,649,386</u>	<u>7,027,879</u>
Subtotal	12,283,913	18,666,673
Less: Present value discount	<u>(374,142)</u>	<u>(232,033)</u>
NET GRANTS RECEIVABLE	<u>\$ 11,909,771</u>	<u>\$ 18,434,640</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 204,685	\$ 204,685
Website	<u>34,000</u>	<u>34,000</u>
Total property and equipment	238,685	238,685
Less: Accumulated depreciation and amortization	<u>(207,706)</u>	<u>(175,285)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 30,979</u>	<u>\$ 63,400</u>

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

5. GRANTS PAYABLE

As of September 30, 2023 and 2022, BRAC USA has made written promises to give, of which \$36,792,163 and \$41,296,359, 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 ranging between 3.50% and 6.25%.

Total amounts due are as follows as of September 30, 2023 and 2022:

	2023	2022
Less than one year	\$ 8,135,817	\$ 18,500,392
One to five years	<u>28,656,346</u>	<u>22,795,967</u>
Total	36,792,163	41,296,359
Less: Discount to net present value	<u>(2,611,047)</u>	<u>(1,024,988)</u>
GRANTS PAYABLE	<u>\$ 34,181,116</u>	<u>\$ 40,271,371</u>

6. BOARD DESIGNATED NET ASSETS

As of September 30, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
Program Services	\$ 1,532,353	\$ 1,793,922
Ultra-Poor Graduation Initiative	<u>5,000,000</u>	<u>6,566,641</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 6,532,353</u>	<u>\$ 8,360,563</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

	2023	2022
Program Services	\$ 8,234,612	\$ 40,853,305
Ultra-Poor Graduation Initiative	<u>3,642,043</u>	<u>5,573,070</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 11,876,655</u>	<u>\$ 46,426,375</u>

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

8. LIQUIDITY AND AVAILABILITY

The following reflects BRAC USA's financial assets available for use for general expenditures within one year of the Statements of Financial Position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statements of Financial Position dates.

	2023	2022
Cash and cash equivalents	\$ 6,908,175	\$ 34,170,397
Grants receivable, current	6,634,527	11,638,794
Investments	29,933,034	4,112,283
Accounts receivable	783,484	389,892
Subtotal financial assets available within one year	44,259,220	50,311,366
Less: Current portion of donor restricted funds	(3,450,821)	(3,298,298)
Less: Board designated funds	(1,500,000)	(1,500,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 39,308,399	\$ 45,513,068

BRAC USA is substantially supported by restricted contributions. As a donor's restriction requires resources to be used in a particular manner or in a future period, BRAC USA must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of BRAC USA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Board designated funds can be available to draw upon, in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

9. LEASE COMMITMENTS

Effective October 1, 2022, BRAC USA adopted ASU 2019-01, *Leases* (Topic 842). BRAC USA elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. BRAC USA also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. BRAC USA adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs.

Operating Lease:

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.

As a result, BRAC USA recorded an operating right-of-use asset in the amount of \$620,035, net of prior year deferred rent of \$84,338. BRAC USA recorded an operating lease liability in the amount of \$704,373 by calculating the present value using the risk free discount rate of 4.12%.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

9. LEASE COMMITMENTS (Continued)

Financing Lease:

BRAC USA leases copiers under a 36-month lease that expires in 2024. Monthly payments are \$315 throughout the life of the lease.

BRAC USA assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As a result, BRAC USA recorded a financing right-of-use asset and lease liability in the amount of \$6,955 by calculating the present value using the discount rate of 4.12%.

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

<u>Year Ending September 30.</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 343,156	\$ 3,395
2025	<u>58,143</u>	<u>-</u>
	<u>\$ 401,299</u>	<u>\$ 3,395</u>

Total lease expense for the years ended September 30, 2023 and 2022 totaled \$346,303 and \$341,873, 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, 2024 and 2022 totaled \$136,940 and \$134,011, respectively, and are included in Salaries, payroll taxes and employee benefits in the accompanying Statements of Functional Expenses.

11. CONCENTRATION OF REVENUE

Approximately 26% and 30% of BRAC USA's revenue during the years ended September 30, 2023 and September 30, 2022 was derived from three and 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) could 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 (the Agreement) with BRAC International Holding BV (BIBV), Stichting BRAC International 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 Borrower) amounting to \$5,000,000. The current outstanding amount remains at \$3,680,000.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

12. LOAN GUARANTEE (Continued)

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 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, 2023 and 2022:

	2023	2022
Original guarantee	\$ 1,250,000	\$ 1,250,000
Interest earned	12,271	4,674
Interest payable	12,271	4,674
TOTAL RESTRICTED CASH AND RECEIVABLE	\$ 1,274,542	\$ 1,259,348
Re-allocated liabilities (included in accounts payable and accrued expenses)	\$ 1,071,985	\$ 934,829
Re-allocated net assets with donor restrictions	190,286	319,845
Interest income	12,271	4,674
TOTAL ALLOCATED LIABILITIES AND NET ASSETS	\$ 1,274,542	\$ 1,259,348

The Borrower is currently negotiating for an extension of the Agreement with the United States International Development Finance Corporation (DFC), the successor organization to OPIC. Unless the funds are needed to be paid to the DFC under the guarantee, once the loan obligation expires, 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. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, BRAC USA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market BRAC USA has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BRAC USA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

13. FAIR VALUE MEASUREMENT (Continued)

There were no changes in valuation methodologies or transfers between levels in the fair value hierarchy during the years ended September 30, 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable. Following is a description of the valuation methodology used for investments measured at fair value.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government securities* - Valued at the closing price reported in the active market in which the individual securities are traded.
- *Exchange traded funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by BRAC USA are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by BRAC USA are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy as of September 30, 2023.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities	\$ 1,855,892	\$ -	\$ -	\$ 1,855,892
Exchange traded funds	2,596,361	-	-	2,596,361
Government securities	25,480,781	-	-	25,480,781
TOTAL	\$ 29,933,034	\$ -	\$ -	\$ 29,933,034

The table below summarizes, by level within the fair value hierarchy those invested as of September 30, 2022.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities	\$ 1,557,742	\$ -	\$ -	\$ 1,557,742
Exchange traded funds	2,554,541	-	-	2,554,541
TOTAL	\$ 4,112,283	\$ -	\$ -	\$ 4,112,283

14. CONTINGENCY

BRAC USA receives grants from the U.S. Department of State. Such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

15. SUBSEQUENT EVENTS

In preparing these financial statements, BRAC USA has evaluated events and transactions for potential recognition or disclosure through May 10, 2024, the date the financial statements were issued.