BRAC USA, INC.

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

SEPTEMBER 30, 2010 AND 2009

BRAC USA, INC.

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LUTZ AND CARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BRAC USA, Inc.

We have audited the accompanying statements of financial position of BRAC USA, Inc. (a not-for-profit corporation) as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
April 15, 2011

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2010 AND 2009

	2010	2009
Assets		
Cash and cash equivalents (Notes 1b and 9)	$ 7,715,537	$ 5,730,889
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	4,056,555	4,411,958
Temporarily restricted	371,184	200,754
Prepaid expenses and other current assets	14,263	37,357
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	59,205	16,978
Security deposit	15,695	15,695
Total Assets	$12,232,439	$10,413,631
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 367,755	$ 194,074
Deferred income (Note 8)	289,010	-
Grants payable (Notes 1e and 5)	7,984,531	6,397,167
Total Liabilities	8,641,296	6,591,241
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	1,000,000	1,000,000
Other	2,159,817	2,621,636
Total Unrestricted	3,159,817	3,621,636
Temporarily restricted (Note 2b)	431,326	200,754
Total Net Assets	3,591,143	3,822,390
Total Liabilities and Net Assets	$12,232,439	$10,413,631

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Changes in Unrestricted Net Assets		
Revenue and Other Support		
Contributions (Note 1c)	$ 6,743,325	$ 7,627,757
In-kind donations (Note 7)	222,284	873,664
Earned income (Note 8)	472,452	1,086,851
Interest income	43,915	90,394
Miscellaneous income	3,530	-
	7,485,506	9,678,666
Net assets released from restrictions		
Satisfaction of time and program restrictions	87,096	2,766,039
Total Revenue and Other Support	7,572,602	12,444,705
Expenses (Note 9)		
Program Services	7,581,861	9,460,991
Supporting Services		
Management and general	142,865	395,739
Fundraising	309,695	414,536
Total Supporting Services	452,560	810,275
Total Expenses	8,034,421	10,271,266
Increase (Decrease) in Unrestricted Net Assets	(461,819)	2,173,439
Changes in Temporarily Restricted Net Assets		
Contributions	317,668	13,510
Net assets released from restrictions	(87,096)	(2,766,039)
Increase (Decrease) in Temporarily Restricted Net Assets	230,572	(2,752,529)
Decrease in net assets	(231,247)	(579,090)
Net assets, beginning of year	3,822,390	4,401,480
Net Assets, End of Year	$ 3,591,143	$ 3,822,390

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities		
Decrease in net assets	$ (231,247)	$ (579,090)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	11,404	4,547
(Increase) decrease in:		
Unconditional promises to give	184,973	(1,652,146)
Prepaid expenses and other current assets	23,094	(26,945)
Security deposit	-	(295)
Increase in:		
Accounts payable and accrued expenses	173,681	157,032
Deferred income	289,010	-
Grants payable	1,587,364	5,023,593
Net Cash Provided By Operating Activities	2,038,279	2,926,696
Cash Flows From Investing Activities		
Acquisition of property and equipment	(53,631)	-
Net increase in cash and cash equivalents	1,984,648	2,926,696
Cash and cash equivalents, beginning of year	5,730,889	2,804,193
Cash and Cash Equivalents, End of Year	$ 7,715,537	$ 5,730,889

See notes to financial statements.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization
BRAC USA, Inc. (the "Organization") is a not-for-profit corporation incorporated in New York, which was formed to bring about positive changes in the quality of life of poor individuals. The Organization collaborates with related BRAC organizations worldwide to promote human rights, dignity and gender equity through social, economic and human capacity building through direct grant making support.

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions 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 2010, the Organization received approximately 64% of its contributions from two foundations and a foreign government agency. During 2009, the Organization received approximately 90% of its contributions from two foundations. This percentage, in both years, is offset by earned income from another major source (see Note 8). At September 30, 2010, approximately 87% of unconditional promises to give were due from two foundations and a foreign government agency. At September 30, 2009, approximately 90% of unconditional promises to give were due from two foundations.

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

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

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - 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.

g - 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.

h - 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. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions were required in the financial statements.

i - Subsequent Events
The Organization has evaluated subsequent events through April 15, 2011, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Net Assets

a - Board Designated Reserve
During fiscal year 2008, the Board of Directors of the Organization established a board designated reserve fund of $750,000. During fiscal year 2010, the board designated reserve fund was increased to $1,000,000.

b - Temporarily Restricted Net Assets
Temporarily restricted net assets are restricted for future programs and periods.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	2010	2009
Due in less than one year	$3,092,225	$2,191,200
Due in one to three years	1,452,062	2,725,536
Due in more than three years	-	27,821
	4,544,287	4,944,557
Less: Discount to present value	(116,548)	(331,845)
	$4,427,739	$4,612,712

Note 3 - Unconditional Promises to Give (continued)

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

Note 4 - Property and Equipment

Property and equipment consist of the following at September 30:

	Life	2010	2009
Computer and equipment	5 years	$15,592	$15,592
Furniture and fixtures	7 years	10,000	10,000
Website	3 years	53,631	-
		79,223	25,592
Less: Accumulated depreciation		(20,018)	(8,614)
		$59,205	$16,978

Depreciation expense for the years ended September 30, 2010 and 2009 was $11,404 and $4,547, respectively.

Note 5 - Grants Payable

Grants payable are due as follows:

	2010	2009
Payable in less than one year	$6,741,064	$4,686,940
Payable in one to three years	1,326,301	1,953,322
Payable in more than three years	-	12,941
	8,067,365	6,653,203
Less: Discount to present value	(82,834)	(256,036)
	$7,984,531	$6,397,167

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

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 6 - Commitments

a - The Organization entered into a lease agreement for office space which expires on September 30, 2012.

The future minimum annual payments are as follows:

Year Ending September 30,	
2011	$89,709
2012	92,400

Rent expense for the years ended September 30, 2010 and 2009 was $87,707 and $86,498, 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, 2010 and 2009 totaled $8,057 and $7,891, respectively.

Note 7 - In-Kind Donations

In-kind donations for the years ended September 30, 2010 and 2009 were comprised entirely of legal fees.

In 2010, Mayer Brown provided legal services to review the BRAC Africa Loan Fund (which advances microfinance to the poor in East Africa), advise on possible structures to make equity investments and architecture for international operations. Also in 2010, Weil, Gotsal & Manges LLP provided assistance in completing registration renewals in 50 states to carry out fundraising in the United States of America and in reviewing board policies and governance to ensure BRAC USA was in full compliance with the law and following best practices.

In 2009, Allen & Overy undertook a jurisdictional survey in sixteen countries to enable BRAC to explore whether and how to expand public education and fundraising operations. Also in 2009, Weil, Gotshal & Manges LLP provided assistance in completing registration in 50 states to carry out fundraising in the United States of America and reviewing board policies and governance. In 2009 Mayer Brown provided legal services to develop the BRAC Africa Loan Fund, a significant part of the Organization’s program expense to advance access to microfinance by the poor.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 8 - Earned Income

Income earned by the Organization was principally derived from two contracts with the MasterCard Foundation related to project liaison services for BRAC Uganda and the Graduation Project with BRAC Development Institute.

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

Note 9 - Concentration of Credit Risk

The Organization maintains its cash balances at three financial institutions located in New York City.

Note 10 - Functional Expenses

The costs of providing the various program and supporting services have 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.

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
BRAC USA, Inc.

Our report on our audits of the basic financial statements of BRAC USA, Inc. for 2010 and 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended September 30, 2010 with comparative totals for 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
April 15, 2011

BRAC USA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2010 WITH COMPARATIVE TOTALS 2009

		Supporting Services			2010	2009
	Program Services	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	$ 478,758	$ 38,317	$ 100,558	$138,875	$ 617,633	$ 645,732
Professional fees	472,509	51,979	148,351	200,330	672,839	1,550,041
Grant expense	6,443,115	-	-	-	6,443,115	7,758,951
Occupancy	68,436	9,670	15,578	25,248	93,684	92,539
Office supplies and expenses	11,530	20,408	8,232	28,640	40,170	21,133
Marketing and direct mail fees	696	1,795	24,015	25,810	26,506	102,596
Insurance	7,760	617	1,623	2,240	10,000	5,874
Telephone and internet	8,791	1,229	1,823	3,052	11,843	7,296
Business meetings and travel expenses	71,951	13,444	2,462	15,906	87,857	61,190
Miscellaneous	9,475	4,698	5,197	9,895	19,370	21,367
Depreciation	8,840	708	1,856	2,564	11,404	4,547
Total Expenses, 2010	$7,581,861	$ 142,865	$ 309,695	$452,560	$8,034,421	
Total Expenses, 2009	$9,460,991	$ 395,739	$ 414,536	$810,275		$10,271,266

See independent auditors' report on additional information.