

**BRAC USA, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2013 AND 2012**

**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, 2013 and 2012, 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, 2013 and 2012, 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  
April 3, 2014

## BRAC USA, INC.

## STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 9)	\$11,991,638	\$ 9,468,497
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	6,678,466	7,578,050
Temporarily restricted	4,851,537	3,056,575
Accounts receivable	101,535	-
Prepaid expenses and other current assets	40,279	28,610
Prepaid contract fee	-	10,419
Property and equipment, at cost (net of accumulated depreciation) (Notes 1d and 4)	10,769	25,519
Security deposits	33,745	50,126
	<u>23,707,969</u>	<u>\$20,217,796</u>
<b>Total Assets</b>		
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 365,329	\$ 127,701
Deferred income (Note 1f)	458,773	662,074
Grants payable (Notes 1e and 5)	11,787,849	10,592,047
Deferred rent (Note 1g)	70,645	-
Total Liabilities	<u>12,682,596</u>	<u>11,381,822</u>
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	1,000,000	1,000,000
Other	2,158,246	3,542,835
Total Unrestricted	<u>3,158,246</u>	<u>4,542,835</u>
Temporarily restricted (Note 2b)	7,867,127	4,293,139
Total Net Assets	<u>11,025,373</u>	<u>8,835,974</u>
	<u>23,707,969</u>	<u>\$20,217,796</u>
<b>Total Liabilities and Net Assets</b>		

See notes to financial statements.

## BRAC USA, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenue and Other Support		
Contributions (Note 1c)	\$ 6,334,818	\$20,426,050
In-kind donations (Note 7)	565,297	127,532
Earned income (Note 8)	983,127	842,890
Interest income	17,816	15,653
Miscellaneous income	1,004	869
Write-down of unconditional promise to give	-	(50,000)
	<u>7,902,062</u>	<u>21,362,994</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>3,144,421</u>	<u>939,356</u>
Total Revenue and Other Support	<u>11,046,483</u>	<u>22,302,350</u>
Expenses		
Program Services	<u>11,643,884</u>	<u>20,209,651</u>
Supporting Services		
Management and general	334,769	230,420
Fundraising	<u>452,419</u>	<u>338,706</u>
Total Supporting Services	<u>787,188</u>	<u>569,126</u>
Total Expenses	<u>12,431,072</u>	<u>20,778,777</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(1,384,589)</u>	<u>1,523,573</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions (Note 1c)	6,718,409	3,417,047
Net assets released from restrictions	<u>(3,144,421)</u>	<u>(939,356)</u>
Increase in Temporarily Restricted Net Assets	<u>3,573,988</u>	<u>2,477,691</u>
Increase in net assets	2,189,399	4,001,264
Net assets, beginning of year	<u>8,835,974</u>	<u>4,834,710</u>
<b>Net Assets, End of Year</b>	<u><u>\$11,025,373</u></u>	<u><u>\$ 8,835,974</u></u>

See notes to financial statements.

## BRAC USA, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 2,189,399	\$ 4,001,264
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	12,918	22,709
Disposal of capitalized website costs	12,000	-
Deferred rent	70,645	-
Write-down of unconditional promise to give	-	50,000
(Increase) decrease in:		
Unconditional promises to give	(895,378)	(5,172,133)
Accounts receivable	(101,535)	680
Prepaid expenses and other current assets	(11,669)	8,717
Prepaid contract fee	10,419	90,757
Security deposits	16,381	(34,431)
Increase (decrease) in:		
Accounts payable and accrued expenses	237,628	(93,466)
Deferred income	(203,301)	236,959
Grants payable	1,195,802	2,833,816
Net Cash Provided By Operating Activities	<u>2,533,309</u>	<u>1,944,872</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	<u>(10,168)</u>	<u>(13,528)</u>
Net increase in cash and equivalents	2,523,141	1,931,344
Cash and cash equivalents, beginning of year	<u>9,468,497</u>	<u>7,537,153</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$11,991,638</u></u>	<u><u>\$ 9,468,497</u></u>

See notes to financial statements.

**BRAC USA, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2013 AND 2012****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 2013, the Organization received approximately 87% of its contributions from six foundations. During 2012, the Organization received approximately 95% of its contributions from six foundations. This percentage, in both years, is offset by earned income from another major source (Note 8). At September 30, 2013 and 2012, approximately 96% and 75% of unconditional promises to give were due from five foundations and two foundations, respectively.

**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 is 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, 2013 AND 2012****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**f - Deferred Income

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

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. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions were required in the financial statements. The Organization's tax returns are generally subject to examination by taxing authorities for a period of three years from filing.

k - Subsequent Events

The Organization has evaluated subsequent events through April 3, 2014, the date that the financial statements are considered available to be issued.

**Note 2 - Restrictions on Net Assets**a - Board Designated Reserve

The Board of Directors of the Organization has established a board designated reserve fund of \$1,000,000 (\$750,000 in 2008 and increased by \$250,000 in 2009). During February 2014, the Board of Directors approved an increase of \$500,000 to the board designated reserve.

## BRAC USA, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

**Note 2 - Restrictions on Net Assets (continued)**b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

**Note 3 - Promises to Give**a - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$ 7,302,197	\$ 7,023,442
Due in one to three years	<u>4,533,215</u>	<u>3,766,096</u>
	11,835,412	10,789,538
Less: Discount to present value	<u>(305,409)</u>	<u>(154,913)</u>
	<u>\$11,530,003</u>	<u>\$10,634,625</u>

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%.

b - Conditional Promises to Give

During the year ended September 30, 2012, the Organization received a grant from a private foundation totaling approximately \$17.2 million. \$5,850,000 of the grant is contingent upon the Organization achieving certain targets, and accordingly, that portion of the grant has not been recorded in the accompanying financial statements.

During the year ended September 30, 2013, the Organization received a grant from a foundation totaling approximately \$3.14 million. \$500,000 of the grant is contingent upon the Organization achieving certain matching requirements, 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, 2013 AND 2012

**Note 4 - Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
Computer and equipment	5 years	\$21,551	\$17,119
Furniture and fixtures	7 years	15,736	10,000
Website	3 years	<u>53,631</u>	<u>65,631</u>
		90,918	92,750
Less: Accumulated depreciation		<u>(80,149)</u>	<u>(67,231)</u>
		<u>\$10,769</u>	<u>\$25,519</u>

Depreciation expense for the years ended September 30, 2013 and 2012 was \$12,918 and \$22,709, respectively.

**Note 5 - Grants Payable**

Grants payable are due as follows:

	<u>2013</u>	<u>2012</u>
Payable in less than one year	\$10,641,669	\$ 7,544,420
Payable in one to three years	<u>1,198,225</u>	<u>3,176,173</u>
	11,839,894	10,720,593
Less: Discount to present value	<u>(52,045)</u>	<u>(128,546)</u>
	<u>\$11,787,849</u>	<u>\$10,592,047</u>

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, 2013 AND 2012

**Note 6 - Commitments**

- a - The Organization is obligated under the terms of a lease for office space through March 31, 2023. The Organization signed a new lease in 2012 and moved to an office with increased square footage in October 2012 to accommodate growth in staff. 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.

The lease provides for minimum annual rentals as follows:

<b><u>Year Ending September 30,</u></b>	
2014	\$116,643
2015	119,835
2016	129,430
2017	133,005
2018	136,688
Thereafter, through March 31, 2023	694,191

Rent expense for the years ended September 30, 2013 and 2012 was \$132,817 and \$105,109, 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, 2013 and 2012 totaled \$16,463 and \$18,961, respectively.

**Note 7 - In-Kind Donations**

During the years ended September 30, 2013 and 2012, the Organization received donated services and materials in connection with its programs as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Legal fees	\$449,116	\$126,432
Consulting	111,361	-
Furniture	3,820	-
Other	<u>1,000</u>	<u>1,100</u>
	<b><u>\$565,297</u></b>	<b><u>\$127,532</u></b>

**BRAC USA, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2013 AND 2012****Note 7 - In-Kind Donations (continued)**

In 2013 and 2012, Mayer Brown provided legal services to close on the new BRAC Africa Loan Fund (which advances microfinance to the poor in East Africa), and also hosted board meetings and fundraising events for the Organization. Also in 2013 and 2012, Weil, Gotshal & Manges LLP provided assistance in reviewing the Organization's affiliate agreement with BRAC in Bangladesh to ensure BRAC USA was in full compliance with the law and following best practices.

**Note 8 - Earned Income**

Income earned by the Organization was principally derived from four contracts with the MasterCard Foundation related to project liaison services for BRAC Uganda including, the Scholars Program, the Graduation Project with BRAC Development Institute and for providing services directly to MasterCard Foundation related to the Collaboration for Impact project. Income was 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.

**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**



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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, 2013 and 2012, and our report thereon dated April 3, 2014, 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, 2013 with comparative totals for 2012 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  
April 3, 2014

## BRAC USA, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013 WITH COMPARATIVE TOTALS 2012

	Program Services	Supporting Services			2013	2012
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 485,374	\$ 141,553	\$ 273,275	\$414,828	\$ 900,202	\$ 958,915
Professional fees	999,815	100,429	102,343	202,772	1,202,587	549,574
Contract fees	200,575	-	-	-	200,575	532,133
Grant expense	9,524,698	-	-	-	9,524,698	18,029,593
Occupancy	72,770	24,136	35,911	60,047	132,817	105,109
Office supplies and expenses	7,039	36,720	9,971	46,691	53,730	27,563
Marketing and direct mail fees	17,249	-	-	-	17,249	48,005
Insurance	7,818	2,280	4,401	6,681	14,499	4,716
Communications	18,507	5,397	10,420	15,817	34,324	14,213
Business meetings and travel expenses	289,506	17,742	7,148	24,890	314,396	319,674
BRAC Developmental Institute events and conferences	-	-	-	-	-	138,178
Miscellaneous	13,577	4,515	4,985	9,500	23,077	28,395
Depreciation	6,956	1,997	3,965	5,962	12,918	22,709
Total Expenses, 2013	<u>\$11,643,884</u>	<u>\$ 334,769</u>	<u>\$ 452,419</u>	<u>\$787,188</u>	<u>\$12,431,072</u>	
Percentages to Total, 2013	<u>94%</u>	<u>3%</u>	<u>3%</u>		<u>100%</u>	
Total Expenses, 2012	<u>\$20,209,651</u>	<u>\$ 230,420</u>	<u>\$ 338,706</u>	<u>\$569,126</u>		<u>\$20,778,777</u>
Percentages to Total, 2012	<u>97%</u>	<u>1%</u>	<u>2%</u>			<u>100%</u>

See independent auditors' report on supplementary information.