

**BRAC USA, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2012 AND 2011**

**BRAC USA, INC.**

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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, 2012 and 2011, 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, 2012 and 2011, 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  
March 18, 2013

## BRAC USA, INC.

## STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 9)	\$ 9,468,497	\$ 7,537,153
Unconditional promises to give (Notes 1c and 3a)		
Unrestricted	7,578,050	4,419,408
Temporarily restricted	3,056,575	1,093,084
Prepaid expenses and other current assets	28,610	38,007
Prepaid contract fee	10,419	101,176
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	25,519	34,700
Security deposits	50,126	15,695
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u><u>\$20,217,796</u></u>	<u><u>\$13,239,223</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 127,701	\$ 221,167
Deferred income (Note 8)	662,074	425,115
Grants payable (Notes 1e and 5)	10,592,047	7,758,231
Total Liabilities	<u>11,381,822</u>	<u>8,404,513</u>
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	1,000,000	1,000,000
Other	3,542,835	2,019,262
Total Unrestricted	<u>4,542,835</u>	<u>3,019,262</u>
Temporarily restricted (Note 2b)	4,293,139	1,815,448
Total Net Assets	<u>8,835,974</u>	<u>4,834,710</u>
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$20,217,796</u></u>	<u><u>\$13,239,223</u></u>

See notes to financial statements.

## BRAC USA, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenue and Other Support		
Contributions (Note 1c)	\$20,426,050	\$ 5,805,210
In-kind donations (Note 7)	127,532	150,965
Earned income (Notes 1f and 8)	842,890	919,717
Interest income	15,653	24,185
Miscellaneous income	869	1,940
Write-down of unconditional promise to give	(50,000)	-
	<u>21,362,994</u>	<u>6,902,017</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>939,356</u>	<u>285,893</u>
	<u>22,302,350</u>	<u>7,187,910</u>
Total Revenue and Other Support		
Expenses		
Program Services	<u>20,209,651</u>	<u>6,804,816</u>
Supporting Services		
Management and general	230,420	302,361
Fundraising	<u>338,706</u>	<u>221,288</u>
Total Supporting Services	<u>569,126</u>	<u>523,649</u>
	<u>20,778,777</u>	<u>7,328,465</u>
Total Expenses		
Increase (Decrease) in Unrestricted Net Assets	<u>1,523,573</u>	<u>(140,555)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	3,417,047	1,670,015
Net assets released from restrictions	<u>(939,356)</u>	<u>(285,893)</u>
	<u>2,477,691</u>	<u>1,384,122</u>
Increase in Temporarily Restricted Net Assets		
Increase in net assets	4,001,264	1,243,567
Net assets, beginning of year	<u>4,834,710</u>	<u>3,591,143</u>
	<u>\$ 8,835,974</u>	<u>\$ 4,834,710</u>
<b>Net Assets, End of Year</b>		

See notes to financial statements.

## BRAC USA, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 4,001,264	\$ 1,243,567
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	22,709	24,505
Write-down of unconditional promise to give	50,000	-
(Increase) decrease in:		
Unconditional promises to give	(5,172,133)	(1,084,753)
Prepaid expenses and other current assets	9,397	(23,744)
Prepaid contract fee	90,757	(101,176)
Security deposits	(34,431)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(93,466)	(146,588)
Deferred income	236,959	136,105
Grants payable	2,833,816	(226,300)
Net Cash Provided (Used) By Operating Activities	<u>1,944,872</u>	<u>(178,384)</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	<u>(13,528)</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	1,931,344	(178,384)
Cash and cash equivalents, beginning of year	<u>7,537,153</u>	<u>7,715,537</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 9,468,497</u></u>	<u><u>\$ 7,537,153</u></u>

See notes to financial statements.

**BRAC USA, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2012 AND 2011****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 2012, the Organization received approximately 95% of its contributions from six foundations. During 2011, the Organization received approximately 75% of its contributions from five foundations. This percentage, in both years, is offset by earned income from another major source (see Note 8). At September 30, 2012, approximately 75% of unconditional promises to give were due from two foundations. At September 30, 2011, approximately 70% of unconditional promises to give were due from two foundations and a foreign government agency.

**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, 2012 AND 2011****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 - 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.

h - 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.

i - 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 are required in the financial statements. The Organization's tax returns for years prior to 2009 are generally no longer subject to examination by taxing authorities.

j - Subsequent Events

The Organization has evaluated subsequent events through March 18, 2013, 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.

b - Temporarily Restricted Net Assets

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



## BRAC USA, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

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

Unconditional promises to give are due as follows:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$ 7,023,442	\$3,682,004
Due in one to three years	<u>3,766,096</u>	<u>1,930,015</u>
	10,789,538	5,612,019
Less: Discount to present value	<u>(154,913)</u>	<u>(99,527)</u>
	<u>\$10,634,625</u>	<u>\$5,512,492</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 Promise 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.

**Note 4 - Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Computer and equipment	5 years	\$17,119	\$15,592
Furniture and fixtures	7 years	10,000	10,000
Website	3 years	<u>65,631</u>	<u>53,631</u>
		92,750	79,223
Less: Accumulated depreciation		<u>(67,231)</u>	<u>(44,523)</u>
		<u>\$25,519</u>	<u>\$34,700</u>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$22,709 and \$24,505, respectively.

## BRAC USA, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

**Note 5 - Grants Payable**

Grants payable are due as follows:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$ 7,544,420	\$6,594,635
Due in one to three years	<u>3,176,173</u>	<u>1,204,044</u>
	10,720,593	7,798,679
Less: Discount to present value	<u>(128,546)</u>	<u>(40,448)</u>
	<u>\$10,592,047</u>	<u>\$7,758,231</u>

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

**Note 6 - Commitments**

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

Rent expense for the years ended September 30, 2012 and 2011 was \$97,274 and \$89,709, respectively.

b - On August 1, 2012, the Organization signed a lease for new office space expiring on March 31, 2023.

The lease provides for minimum annual rentals as follows:

<u>Year Ending September 30,</u>	
2013	\$ 56,772
2014	116,643
2015	119,835
2016	129,430
2017	133,005
Thereafter, through March 31, 2023	830,881

c - 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, 2012 and 2011 totaled \$18,961 and \$18,667, respectively.

## BRAC USA, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

**Note 7 - In-Kind Donations**

The Organization received donated services in connection with its programs as follows:

	<u>2012</u>	<u>2011</u>
Legal fees	\$126,432	\$140,965
Website design	-	10,000
Other	<u>1,100</u>	<u>-</u>
	<u>\$127,532</u>	<u>\$150,965</u>

In 2012 and 2011, 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 2012 and 2011, Weil, Gotshal & Manges LLP provided assistance in completing registration renewals in fifty 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.

**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.

**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, 2012 and 2011, and have issued our report thereon dated March 18, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed 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, 2012 with comparative totals for 2011 is presented for the 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  
March 18, 2013

## BRAC USA, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS 2011

	Program Services	Supporting Services			2012	2011
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 658,034	\$ 122,184	\$ 178,697	\$300,881	\$ 958,915	\$ 861,679
Professional fees	397,404	59,398	92,772	152,170	549,574	505,915
Contract fees	532,133	-	-	-	532,133	321,384
Grant expense	18,029,593	-	-	-	18,029,593	5,194,988
Occupancy	74,080	11,825	19,204	31,029	105,109	107,732
Office supplies and expenses	3,388	19,126	5,049	24,175	27,563	20,680
Marketing and direct mail fees	33,688	-	14,317	14,317	48,005	5,422
Insurance	3,236	601	879	1,480	4,716	5,866
Communications	9,753	1,811	2,649	4,460	14,213	23,926
Business meetings and travel expenses	289,935	10,846	18,893	29,739	319,674	123,698
BRAC Development Institute events and conferences	138,178	-	-	-	138,178	99,945
Miscellaneous	24,646	1,735	2,014	3,749	28,395	32,725
Depreciation	15,583	2,894	4,232	7,126	22,709	24,505
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>	
Total Expenses, 2011	<u>\$ 6,804,816</u>	<u>\$ 302,361</u>	<u>\$ 221,288</u>	<u>\$523,649</u>		<u>\$7,328,465</u>
Percentages to Total, 2011	<u>93%</u>	<u>4%</u>	<u>3%</u>			<u>100%</u>

See independent auditors' report on supplementary information.