

BRAC USA, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

SEPTEMBER 30, 2008 AND 2007

BRAC USA, INC.

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INDEPENDENT AUDITOR'S 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, 2008 and 2007, and the related statements of activities and cash flows for the year ended September 30, 2008 and the period October 23, 2006 (inception) through September 30, 2007. 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, 2008 and 2007, and the changes in net assets and its cash flows for the year ended September 30, 2008 and the period October 23, 2006 (inception) through September 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
January 16, 2009

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007 *</u>
Assets		
Cash and cash equivalents (Notes 1b and 8)	\$ 2,804,193	\$1,891,241
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	7,283	-
Temporarily restricted	2,953,283	4,014,713
Prepaid expenses and other current assets	10,412	1,974
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	21,525	13,153
Security deposit	15,400	15,400
	<u> </u>	<u> </u>
Total Assets	<u>\$ 5,812,096</u>	<u>\$5,936,481</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 37,042	\$ 75,227
Grants payable (Notes 1e and 5)	1,373,574	-
Total Liabilities	<u>1,410,616</u>	<u>75,227</u>
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	750,000	-
Other	698,197	339,141
	<u>1,448,197</u>	<u>339,141</u>
Temporarily restricted (Note 2b)	2,953,283	5,522,113
Total Net Assets	<u>4,401,480</u>	<u>5,861,254</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 5,812,096</u>	<u>\$5,936,481</u>

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008
AND THE PERIOD OCTOBER 23, 2006 (Inception)
THROUGH SEPTEMBER 30, 2007

	<u>2008</u>	<u>2007</u>
Changes in Unrestricted Net Assets		
Revenue and Other Support		
Contributions	\$ 4,812,454	\$ 475,036
In-kind donations (Note 7)	1,174,069	156,393
Interest income	97,645	2,796
Miscellaneous income	7,951	-
	<u>6,092,119</u>	<u>634,225</u>
Net assets released from restriction		
Satisfaction of time and program restrictions	<u>2,990,634</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>9,082,753</u>	<u>634,225</u>
Expenses (Note 9)		
Program Services	<u>7,822,936</u>	<u>211,737</u>
Supporting Services		
Management and general	115,754	72,520
Fundraising	35,007	10,827
Total Supporting Services	<u>150,761</u>	<u>83,347</u>
Total Expenses	<u>7,973,697</u>	<u>295,084</u>
Increase in Unrestricted Net Assets	<u>1,109,056</u>	<u>339,141</u>
Changes in Temporarily Restricted Net Assets		
Contributions	421,804	5,522,113
Net assets released from restriction	<u>(2,990,634)</u>	<u>-</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(2,568,830)</u>	<u>5,522,113</u>
Increase (decrease) in net assets	(1,459,774)	5,861,254
Net assets, beginning of period	<u>5,861,254</u>	<u>-</u>
Net Assets, End of Period	<u><u>\$ 4,401,480</u></u>	<u><u>\$5,861,254</u></u>

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2008
AND THE PERIOD OCTOBER 23, 2006 (Inception)
THROUGH SEPTEMBER 30, 2007

	<u>2008</u>	<u>2007 *</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(1,459,774)	\$5,861,254
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	4,067	-
Donations of contributed furniture and equipment	-	(10,000)
(Increase) decrease in:		
Unconditional promises to give	1,054,147	(4,014,713)
Prepaid expenses and other current assets	(8,438)	(1,974)
Security deposit	-	(15,400)
Increase (decrease) in:		
Accounts payable and accrued expenses	(38,185)	75,227
Grants payable	1,373,574	-
Net Cash Provided By Operating Activities	<u>925,391</u>	<u>1,894,394</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(12,439)</u>	<u>(3,153)</u>
Increase in cash and cash equivalents	912,952	1,891,241
Cash and cash equivalents, beginning of period	<u>1,891,241</u>	<u>-</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 2,804,193</u></u>	<u><u>\$1,891,241</u></u>

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2008 AND 2007****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 2008 and 2007, the Organization received approximately 73% and 95% of its contributions from three 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 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 secured at the time those conditions are satisfied.

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.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

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

The Organization 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.

Note 2 - Restrictions on Net Assetsa - Board Designated Reserve

During fiscal year 2008, the Board of Directors of the Organization established a board designated reserve fund of \$750,000.

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:

	<u>2008</u>	<u>2007</u>
Due in less than one year	\$2,773,322	\$4,014,713
Due in one to three years	<u>214,184</u>	<u>-</u>
	2,987,506	4,014,713
Less: Discount to present value	<u>26,940</u>	<u>-</u>
	<u>\$2,960,566</u>	<u>\$4,014,713</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 5%.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 4 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2008</u>	<u>2007</u>
Computer and equipment	5 years	\$15,592	\$ 3,153
Furniture and fixtures	7 years	<u>10,000</u>	<u>10,000</u>
		25,592	13,153
Less: Accumulated depreciation		<u>4,067</u>	<u>-</u>
		<u>\$21,525</u>	<u>\$13,153</u>

Depreciation expense for the year ended September 30, 2008 was \$4,067.

Note 5 - Grants Payable

Grants payable are due as follows:

Payable in less than one year	\$1,140,209
Payable in one to two years	<u>249,128</u>
	1,389,337
Less: Discount to present value	<u>15,763</u>
	<u>\$1,373,574</u>

Grants payable for periods paid after one year are discounted to net present value using a discount rate of 5%.

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 6 - Commitments

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

The future minimum annual payments are as follows:

<u>Year Ending September 30,</u>	
2009	\$84,559
2010	87,096
2011	89,709
2012	92,400

Rent expense for the year ended September 30, 2008 and the period October 23, 2006 through September 30, 2007 was \$82,096 and \$10,000 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 year ended September 30, 2008 totaled \$11,481.

Note 7 - In-Kind Donations

In-kind donations are comprised of the following:

	<u>2008</u>	<u>2007</u>
Legal fees (Mayer Brown)	\$1,109,069	\$ 31,393
Consulting	65,000	-
Accounting fees	-	5,000
Branding and communications (Nike Foundation)	-	100,000
Furniture and fixtures	-	10,000
Occupancy	-	10,000
	<u>\$1,174,069</u>	<u>\$156,393</u>

Mayer Brown provided pro bono 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, 2008 AND 2007****Note 8 - Concentration of Credit Risk**

The Organization maintains its cash balances at one financial institution located in New York City.

Note 9 - Related Party Transaction

The Organization paid professional fees totaling approximately \$106,000 to a consulting company which is a wholly owned subsidiary of a bank holding corporation whose founder and chair is also a board member of the Organization.

Note 10 - Functional Expenses

The costs of providing the various programs 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



**INDEPENDENT AUDITOR'S 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 2008 and 2007 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 2008 with comparative totals for the period October 23, 2006 (inception) through September 30, 2007 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
January 16, 2009

BRAC USA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2008 WITH COMPARATIVE TOTALS
FOR THE PERIOD OCTOBER 23, 2006 (Inception)
THROUGH SEPTEMBER 30, 2007

	Program Services	Supporting Services			2008	2007 *
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 348,816	\$ 41,595	\$ 24,113	\$ 65,708	\$ 414,524	\$ 19,806
Professional fees	1,281,038	44,954	508	45,462	1,326,500	237,570
Grant expense	6,024,888	-	-	-	6,024,888	870
Occupancy	74,869	9,276	4,937	14,213	89,082	10,000
Office supplies and expenses	7,037	7,243	475	7,718	14,755	12,908
Insurance	1,982	233	117	350	2,332	-
Telephone and internet	8,573	2,188	399	2,587	11,160	2,029
Meeting and conferences	6,239	3,900	57	3,957	10,196	1,766
Travel and meals	56,716	2,492	403	2,895	59,611	10,135
Miscellaneous	9,321	3,466	3,795	7,261	16,582	-
Depreciation	3,457	407	203	610	4,067	-
Total Expenses, 2008	<u>\$7,822,936</u>	<u>\$ 115,754</u>	<u>\$ 35,007</u>	<u>\$ 150,761</u>	<u>\$7,973,697</u>	
Total Expenses, 2007	<u>\$ 211,737</u>	<u>\$ 72,520</u>	<u>\$ 10,827</u>	<u>\$ 83,347</u>		<u>\$295,084</u>

* Certain amounts have been reclassified for comparative purposes.

See independent auditor's report on additional information.