

BRAC USA, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

SEPTEMBER 30, 2009 AND 2008

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, 2009 and 2008, 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, 2009 and 2008, 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
February 15, 2010

BRAC USA, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$ 5,730,889	\$ 2,804,193
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	4,411,958	7,283
Temporarily restricted	200,754	2,953,283
Prepaid expenses and other current assets	37,357	10,412
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 4)	16,978	21,525
Security deposit	15,695	15,400
	<u> </u>	<u> </u>
Total Assets	<u>\$10,413,631</u>	<u>\$ 5,812,096</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 194,074	\$ 37,042
Grants payable (Notes 1e and 5)	6,397,167	1,373,574
Total Liabilities	<u>6,591,241</u>	<u>1,410,616</u>
Commitments (Note 6)		
Net Assets		
Unrestricted		
Board designated reserve (Note 2a)	1,000,000	750,000
Other	2,621,636	698,197
	<u>3,621,636</u>	<u>1,448,197</u>
Temporarily restricted (Note 2b)	200,754	2,953,283
Total Net Assets	<u>3,822,390</u>	<u>4,401,480</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$10,413,631</u>	<u>\$ 5,812,096</u>

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Changes in Unrestricted Net Assets		
Revenue and Other Support		
Contributions (Note 1c)	\$ 7,627,757	\$ 4,812,454
In-kind donations (Note 7)	873,664	1,174,069
Earned income (Note 8)	1,086,851	-
Interest income	90,394	97,645
Miscellaneous income	-	7,951
	<u>9,678,666</u>	<u>6,092,119</u>
Net assets released from restriction		
Satisfaction of time and program restrictions	<u>2,766,039</u>	<u>2,990,634</u>
	<u>12,444,705</u>	<u>9,082,753</u>
Total Revenue, Gains and Other Support		
Expenses (Note 10)		
Program Services	<u>9,460,991</u>	<u>7,822,936</u>
Supporting Services		
Management and general	395,739	115,754
Fundraising	<u>414,536</u>	<u>35,007</u>
Total Supporting Services	<u>810,275</u>	<u>150,761</u>
Total Expenses	<u>10,271,266</u>	<u>7,973,697</u>
Increase in Unrestricted Net Assets	<u>2,173,439</u>	<u>1,109,056</u>
Changes in Temporarily Restricted Net Assets		
Contributions	13,510	421,804
Net assets released from restriction	<u>(2,766,039)</u>	<u>(2,990,634)</u>
Decrease in Temporarily Restricted Net Assets	<u>(2,752,529)</u>	<u>(2,568,830)</u>
Decrease in net assets	(579,090)	(1,459,774)
Net assets, beginning of year	<u>4,401,480</u>	<u>5,861,254</u>
Net Assets, End of Year	<u><u>\$ 3,822,390</u></u>	<u><u>\$ 4,401,480</u></u>

See notes to financial statements.

BRAC USA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (579,090)	\$(1,459,774)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	4,547	4,067
(Increase) decrease in:		
Unconditional promises to give	(1,652,146)	1,054,147
Prepaid expenses and other current assets	(26,945)	(8,438)
Security deposit	(295)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	157,032	(38,185)
Grants payable	<u>5,023,593</u>	<u>1,373,574</u>
Net Cash Provided By Operating Activities	2,926,696	925,391
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>-</u>	<u>(12,439)</u>
Increase in cash and cash equivalents	2,926,696	912,952
Cash and cash equivalents, beginning of year	<u>2,804,193</u>	<u>1,891,241</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,730,889</u></u>	<u><u>\$ 2,804,193</u></u>

See notes to financial statements.

BRAC USA, INC.**NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2009 AND 2008****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 2009 and 2008, the Organization received approximately 88% and 73% of its contributions from two and three foundations, respectively. This percentage increase was offset by earned income from another major source. (See Note 8). As of September 30, 2009 and 2008, 90% and 87% of the Organizations' unconditional promises to give were from two of these 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.

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, 2009 AND 2008

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.

i - Subsequent Events

The Organization has evaluated subsequent events through February 15, 2010, the date that the financial statements are considered available to be issued.

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. During fiscal year 2009, 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:

	<u>2009</u>	<u>2008</u>
Due in less than one year	\$2,191,200	\$2,773,322
Due in one to three years	2,725,536	214,184
Due in more than three years	<u>27,821</u>	<u>-</u>
	4,944,557	2,987,506
Less: Discount to present value	<u>331,845</u>	<u>26,940</u>
	<u>\$4,612,712</u>	<u>\$2,960,566</u>

BRAC USA, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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 5%.

Note 4 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>Life</u>	<u>2009</u>	<u>2008</u>
Computer and equipment	5 years	\$15,592	\$15,592
Furniture and fixtures	7 years	<u>10,000</u>	<u>10,000</u>
		25,592	25,592
Less: Accumulated depreciation		<u>8,614</u>	<u>4,067</u>
		<u>\$16,978</u>	<u>\$21,525</u>

Depreciation expense for the years ended September 30, 2009 and 2008 was \$4,547 and \$4,067, respectively.

Note 5 - Grants Payable

Grants payable are due as follows:

	<u>2009</u>	<u>2008</u>
Payable in less than one year	\$4,686,940	\$1,140,209
Payable in one to three years	1,953,322	249,128
Payable in more than three years	<u>12,941</u>	-
	6,653,203	1,389,337
Less: Discount to present value	<u>256,036</u>	<u>15,763</u>
	<u>\$6,397,167</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, 2009 AND 2008

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:

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

Rent expense for the years ended September 30, 2009 and 2008 was \$86,498 and \$82,096, 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, 2009 and 2008 totaled \$7,891 and \$11,481, respectively.

Note 7 - In-Kind Donations

In-kind donations are comprised of the following:

	<u>2009</u>	<u>2008</u>
Legal fees	\$873,664	\$1,109,069
Consulting	-	65,000
	<u>\$873,664</u>	<u>\$1,174,069</u>

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 2008 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, 2009 AND 2008****Note 8 - Earned Income**

Income earned by the Organization was principally derived from two contracts with the MasterCard Foundation related to project liason 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 - Related Party Transaction

In fiscal year 2008, the Organization paid professional fees totaling approximately \$106,000 to a consulting company, ShoreBank International, which is a wholly owned subsidiary of a bank holding corporation whose founder and chair is also a board member of the Organization.

Note 11 - 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 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 2009 and 2008 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, 2009 with comparative totals for 2008 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
February 15, 2010

BRAC USA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	Program Services	Supporting Services			2009	2008
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 504,854	\$ 94,903	\$ 45,975	\$140,878	\$ 645,732	\$ 414,524
Professional fees	1,066,094	226,995	281,549	508,544	1,574,638	1,326,500
Grant expense	7,758,951	-	-	-	7,758,951	6,024,888
Occupancy	38,405	50,736	3,398	54,134	92,539	89,082
Office supplies and expenses	3,334	8,100	77,252	85,352	88,686	14,755
Insurance	4,899	505	470	975	5,874	2,332
Telephone and internet	2,879	4,278	139	4,417	7,296	11,160
Meeting and conferences	18,432	6,252	870	7,122	25,554	10,196
Travel and meals	49,463	437	190	627	50,090	59,611
Miscellaneous	9,888	3,142	4,329	7,471	17,359	16,582
Depreciation	3,792	391	364	755	4,547	4,067
Total Expenses, 2009	<u>\$9,460,991</u>	<u>\$ 395,739</u>	<u>\$ 414,536</u>	<u>\$810,275</u>	<u>\$10,271,266</u>	
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>

See independent auditors' report on additional information.