

EKAL VIDYALAYA FOUNDATION OF USA, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

EKAL VIDYALAYA FOUNDATION OF USA, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT 1

FINANCIAL STATEMENTS

 Statement of Financial Position 2

 Statement of Activities - Unrestricted 3

 Statement of Activities - Restricted 4

 Statement of Functional Expenses 5

 Statement of Cash Flows 6

 Notes to the Financial Statements 7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ekal Vidyalaya Foundation of USA, Inc.
Houston, Texas

We have audited the accompanying statement of financial position of Ekal Vidyalaya Foundation of USA, Inc. ("Foundation") as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Ekal Vidyalaya Foundation of USA, Inc. as of December 31, 2011, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

YOE CPA, LLC

Houston, Texas
August 14, 2012

**EKAL VIDYALAYA FOUNDATION OF USA, INC.
STATEMENT OF FINANCIAL POSITION**

December 31, 2011

ASSETS:

Current assets

Cash and cash equivalents	\$ 1,635,797
Investments	544,542
Prepaid expenses	5,983
Interest receivable	465

Total current assets 2,186,787

Plant and Equipments

Software	32,554
Computer Equipments	4,550
Marketing materials	11,350
Less: Accumulated Depreciation	<u>(36,759)</u>

Total plant and equipment 11,695

Total assets \$ 2,198,482

LIABILITIES AND NET ASSETS:

Current Liabilities

Accrued Expense	\$ 19,231
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Total Current Liabilities/Total Liabilities 19,231

NET ASSETS:

Unrestricted	1,152,313
Temporary Restricted	<u>1,026,938</u>

Total net assets 2,179,251

Total Liabilities and Net Assets \$ 2,198,482

See independent auditor's report and notes to the financial statements.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

CHANGES IN UNRESTRICTED NET ASSETS:

Support and revenue

Contribution received	\$ 3,944,052
Investment Income	828
Program service fees	<u>235,586</u>

Total support and revenue 4,180,466

Net assets transferred to temporary restriction (891,480)

Total unrestricted support and revenue 3,288,986

Net assets released from temporary restriction

Expiration of time restriction 866,747

Total unrestricted support & revenue and
net assets transferred to restrictions 4,155,733

Expenses

Program service-funds to Ekal Vidyalaya Foundation, India	3,597,810
Supporting Services	
Fund raising	252,233
Management and general	<u>203,919</u>

TOTAL EXPENSES 4,053,962

INCREASE IN UNRESTRICTED NET ASSETS 101,771

UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR 1,050,542

UNRESTRICTED NET ASSETS AT END OF YEAR \$ 1,152,313

See independent auditor's report and notes to the financial statements.

**EKAL VIDYALAYA FOUNDATION OF USA, INC.
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2011

CHANGES IN TEMPORARY RESTRICTED NET ASSETS:

Support and revenue

Net assets released from unrestricted assets \$ 891,480

Net assets released from restriction

Restrictions satisfied by payments (866,747)

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 24,733

TEMPORARILY RESTRICTED NET ASSETS AT BEGINNING OF YEAR 1,002,205

TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR \$ 1,026,938

See independent auditor's report and notes to the financial statements.

**EKAL VIDYALAYA FOUNDATION OF USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Support Services</u>	<u>Support Services</u>	<u>2011 Total</u>
		<u>Management and General</u>	<u>Fund Raising</u>	
Projects-Ekal Vidyalaya Foundation of India	\$ 3,597,810	\$ -	\$ -	\$ 3,597,810
Rent, food, supplies, publicity, guest travel, other	-	-	252,233	252,233
Advertising	-	10,334	-	10,334
Depreciation	-	6,990	-	6,990
Payroll Expenses	-	93,290	-	93,290
Office, publication, postage and shipping	-	35,707	-	35,707
Travel	-	11,302	-	11,302
Bank Charges	-	20,842	-	20,842
Professional fees	-	8,450	-	8,450
Other	-	17,004	-	17,004
Total disbursement	\$ 3,597,810	\$ 203,919	\$ 252,233	\$ 4,053,962

See independent auditor's report and notes to the financial statements.

**EKAL VIDYALAYA FOUNDATION OF USA, INC.
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2011

Cash flows from operating activates:

Increase/(Decrease) in net assets	
Unrestricted	\$ 101,771
Temporary restricted	24,733
	<u>126,504</u>
Adjustment to reconcile changes in net assets to net	
Cash provided (used) by operating activates	
Depreciation	6,990
Net realized loss on long-term investing	8,259
Decrease (Increase) in other receivables	3,982
Increase (Decrease) in other current liabilities	4,089
Contribution received of investment securities	<u>(22,452)</u>
Total adjustment to net assets	<u>868</u>
Net cash provided (used) in operating services	127,372
Cash flow from investing activities	
Sale of investment securities	745,000
Purchase of securities and CDs	(400,000)
Purchase of equipment, furniture, and software	<u>(1,050)</u>
Net cash provided by investing activities	<u>343,950</u>
Net increase in cash and cash equivalents	471,322
Cash and cash equivalent at the beginning of the year	<u>1,164,475</u>
Cash and cash equivalent at the end of year	<u><u>\$ 1,635,797</u></u>

See independent auditor's report and notes to the financial statements.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES

Nature of Activities

Ekal Vidyalaya Foundation of USA, Inc. (“Foundation”) is a 501(c) (3) non-profit public benefit corporation that was founded in 2004 for the purpose to provide funds to Ekal Vidyalaya Foundation of India (EVFI), a non-Government, non-profit organization whose main objective is to help in the overall development of the remote tribal and rural villages. The Foundation along with EVFI, is committed to furthering the cause of eradicating illiteracy from the tribal areas since education is the key to self-esteem, self-sustenance, economic well-being and happiness.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared using the generally accepted accounting principles (GAAP). The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statement of Not-for-Profit Organization, SFAS No.116, Accounting for Contribution Received and Contribution Made", and SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" on January 1, 1996. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to donor imposed restrictions. SFAS No. 116 requires the organization to distinguish between contributions received for each net assets category in accordance with donor-imposed restrictions. A description of the three net assets categories follows:

Unrestricted net assets reflect resources, which can be spent at the discretion of the Board of Directors.

Temporarily restricted net assets reflect donation for which donor imposed restrictions have not been met.

Permanently restricted net assets contains gift which require by donor restriction the corpus be invested in perpetuity and only the income made available for program operations in accordance with donor restrictions.

The Foundation has no permanently restricted net assets. Additionally, under SFAS No. 116, an organization must report donor imposed contributions as restricted or temporarily restricted unless restrictions are met in the same period.

The Foundation receives many contributions with donor-imposed time restrictions. If the Foundation meets these restrictions in the same period the contribution is recorded, it reports the donations as an unrestricted receipt in compliance with SFAS No. 116.

Income Taxes

The Foundation qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes. The primary business records of the organization are maintained in Houston, Texas.

Membership

The Foundation has no membership.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

Management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Cash and Cash Equivalents

Cash accounts are primarily interest-bearing cash accounts and dividends bearing money market (Active Assets Money Trust Fund) with financial institution. It also includes \$285,726 for undeposited contribution for 2011 deposited in the year 2012. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash Concentration

At various times during the year, the Foundation may have bank deposits in excess of FDIC insurance limits. As the Company's deposits in non-interest bearing accounts were fully insured by the FDIC under the Transaction Account Guarantee Program. Management believes any credit risk is low due to the overall financial strength of the financial institution.

Marketable Securities-Available for Sale

The Foundation's short-term investments are equity securities, which are classified as available for sale and as allowed under SFAS No. 159 are carried at their fair market value based upon the market prices at year-end. Net unrealized gains and losses on securities available for sale are included in investment income. At December 31, 2011, the unrealized gain is \$14,191.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period on which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenue, support and expenses and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are generally reported as unrestricted contributions in the accompanying financial statements.

Contributed Services

The Foundation recognizes donated services at their fair value in the period received if the services received create or enhance nonfinancial assets that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, the Foundation receives thousands of hours of donated work from Board members and other volunteers helping with business activities. While the value of such contributed efforts is vitally beneficial to the Foundation, no dollar amount is recognized in these financial statements for these contributions.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equipment

It is the Foundation's policy to capitalize acquisition of property and equipment over \$500. Lesser amounts are expense. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those assets must be maintained, the Foundation reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using straight-line method. During the year 2011, the Foundation purchased \$1,050 of office equipments, marketing materials, furniture and software.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Functional expenses, which cannot readily be related to a specific program, are charged to the various programs based upon hours worked or other reasonable methods for allocating The Foundation multiple function expenditures.

Fair Value Considerations

The Foundation uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Foundation did not elect the fair value option for the measurement of any eligible assets or liabilities.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pledges and Accounts Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation 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 year, 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 expires, temporarily restricted net assets are reclassified to unrestricted net assets. No provision has been made for uncollectible promises to give and accounts receivable as of December 31, 2011, given that none have been identified.

Subsequent Events

The Foundation has evaluated subsequent events through the time the financial statements are available for issuance on August 14, 2012. No matters were identified affecting the financial statements or disclosures.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Foundation measures and reports certain assets and liabilities at fair value and within a hierarchal disclosure framework which prioritizes and ranks the level of observable inputs used in measuring fair value. At each balance sheet date, the Foundation performs an analysis of all instruments subject to fair value measurements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value three-tier hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The fair value of cash and cash equivalents, and accrued liabilities are carried at amounts that approximate book value at December 31, 2011 due to the short-term nature of these accounts.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2011:

	<u>Life</u> <u>(Years)</u>	
Software	3	\$ 32,554
Computer Equipment	5	6,253
Marketing Material	3	<u>11,350</u>
		48,454
Less: Accumulated Depreciation		<u>(36,759)</u>
Property and Equipment, Net		\$ <u><u>11,695</u></u>

Depreciation expense for the year ended August 31, 2011 totaled \$6,990.

NOTE 5 – INVESTMENTS

Stock investments are carried at fair market value and realized and unrealized gains and losses are reflected in the statement of activities. Investments in certificate of deposit for an initial maturity of more than three months are recorded as investments. All CD and stock investments held are unrestricted. Short-term investment activity is stated in the table below:

Investment at FMV at beginning of year		\$ 875,349
Stock donation received		22,452
Stock investment purchased		400,000
Stock investment sold		(745,000)
Unrealized gain (loss)		<u>(8,259)</u>
		\$ 544,542

Investment returns:

Interest and dividends		\$ 9,087
Unrealized gain/ (loss)		<u>(8,259)</u>
Total return on stock investments		\$ 828
Amount appropriated for current operation		\$ 828

NOTE 6 – SPECIAL PROJECTS

The Foundation from time to time undertakes several fundraising programs where funds are solicited and the Foundation disbursed \$3,597,810 for 9,729 schools and other special projects in India to EVFI during the year 2011.

EKAL VIDYALAYA FOUNDATION OF USA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – ADMINISTRATIVE EXPENSES

As explained in Note 1, volunteers are not paid for contribution of their time. The cost of program and fund raising expenses, postage paid by the volunteers are reimbursed by the Foundation.

NOTE 8 – ADVERTISING EXPENSES

The Foundation expenses the production cost of advertising as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. At December 31, 2011, \$0 of advertising was reported as assets.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets consist of asset held by the Foundation for 2,722 schools donation received for 2011 to 2015 and for other expenses. Total temporary restricted net asset is \$1,026,9393.
