EKAL VIDYALAYA FOUNDATION OF USA, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

BANKOLE, OKOYE & ASSOCIATES, P. C.
CPAs & BUSINESS ADVISORS

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EKAL VIDYALAYA FOUNDATION OF USA, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Ekal Vidyalaya Foundation of USA, Inc.

We have audited the accompanying financial statements of Ekal Vidyalaya Foundation of USA, Inc. (the "Foundation"), a nonprofit corporation registered in the State of California, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, statements of functional expenses, and statements of 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 for nonprofit organizations 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors consider 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 the Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America.

Bankole, Okoye & Associates PC

Houston, Texas
October 16, 2020

FINANCIAL STATEMENTS SECTION

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash	$ 2,368,110	$ 3,792,287
Investments (Note 2)	1,391,241	1,008,360
Accounts receivable	16,294	24,142
Employee receivable	9,385	-
Donated property (Note 4)	131,432	-
Prepaid expenses	7,411	16,269
Property and equipment, net	1,934	2,962
TOTAL ASSETS	$ 3,925,807	$ 4,844,020
LIABILITIES AND NET ASSETS		
LIABILITES		
Accrued expenses	$ 7,175	$ 7,279
Total liabilities	7,175	7,279
NET ASSETS		
Without donor-restricitons	762,125	842,354
With donor-restrictions (Note 5)	3,156,507	3,994,387
Total net assets	3,918,632	4,836,741
TOTAL LIABILITIES AND NET ASSETS	$ 3,925,807	$ 4,844,020

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor-Restrictions	With Donor-Restrictions	Total
REVENUES:			
Contributions	$ 6,332,164	$ 2,696,242	$ 9,028,406
Ticket sales and admissions to fundraising events	406,782	-	406,782
Sponsorship, promotions, and other revenues	67,511	-	67,511
Return on investments, net (Note 2)	75,068	-	75,068
Inkind contributions	154,872	-	154,872
Net assets released from restrictions:			
Satisfaction of purpose and time restrictions	3,534,122	(3,534,122)	-
TOTAL REVENUES	10,570,519	(837,880)	9,732,639
EXPENSES:			
Program services:			
Rural schools and developments	9,179,192	-	9,179,192
Total program services	9,179,192	-	9,179,192
Supporting services:			
Fundraising	1,266,396	-	1,266,396
Management and general	205,160	-	205,160
Total supporting services	1,471,556	-	1,471,556
TOTAL EXPENSES	10,650,748	-	10,650,748
CHANGE IN NET ASSETS	(80,229)	(837,880)	(918,109)
NET ASSETS, BEGINNING OF YEAR	842,354	3,994,387	4,836,741
NET ASSETS, END OF YEAR	$ 762,125	$ 3,156,507	$ 3,918,632

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor-Restrictions	With Donor-Restrictions	Total
REVENUES			
Contributions	$ 5,546,546	$ 3,721,060	$ 9,267,606
Ticket sales and admissions to fundraising events	449,321	-	449,321
Sponsorship, promotions, and other revenues	48,527	-	48,527
Net return on investments (Note 2)	29,037	-	29,037
Inkind contributions	15,315	-	15,315
Net assets released from restrictions:			
Satisfaction of purpose and time restrictions	1,513,228	(1,513,228)	-
TOTAL REVENUES	7,601,974	2,207,832	9,809,806
EXPENSES			
Program services:			
Rural schools and developments	5,076,051	-	5,076,051
Total program services	5,076,051	-	5,076,051
Supporting services:			
Fundraising	1,165,294	-	1,165,294
Management and general	233,315	-	233,315
Total supporting services	1,398,609	-	1,398,609
TOTAL EXPENSES	6,474,660	-	6,474,660
CHANGE IN NET ASSETS	1,127,314	2,207,832	3,335,146
NET (DEFICIT)/ASSETS, BEGINNING OF YEAR	(284,960)	1,786,555	1,501,595
NET ASSETS, END OF YEAR	$ 842,354	$ 3,994,387	$ 4,836,741

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Fundraising	Management and General	Total Expenses
Project Ekal - India	$ 9,023,942	$ -	$ -	$ 9,023,942
Project Ekal - Nepal	150,000	-	-	150,000
Project Ekal - UK	5,250	-	-	5,250
Facility and equipment rental	-	368,979	-	368,979
Food and entertainment	-	158,981	218	159,199
Payroll costs	-	235,199	99,031	334,230
Performing artists' fees	-	90,535	-	90,535
Bank charges	-	63,285	-	63,285
Printing and supplies	-	69,605	4,874	74,479
Memberships and subscriptions	-	-	24,464	24,464
Postage	-	25,174	2,430	27,604
Internet and communications	-	-	12,417	12,417
Occupancy (includes $19,163 inkind)	-	-	36,211	36,211
Professional services	-	1,000	7,649	8,649
Advertising	-	48,777	-	48,777
Insurance	-	6,802	-	6,802
Travel and lodging	-	140,407	1,481	141,888
Depreciation	-	-	1,028	1,028
Decoration	-	29,985	-	29,985
Auctions	-	17,500	-	17,500
Other expenses	-	10,167	15,357	25,524
TOTAL EXPENSES	$ 9,179,192	$ 1,266,396	$ 205,160	$ 10,650,748

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Fundraising	Management and General	Total Expenses
Project Ekal - India	$ 5,016,021	$ -	$ -	$ 5,016,021
Project Ekal - Nepal	60,030	-	-	60,030
Facility and equipment rental	-	403,495	-	403,495
Food and entertainment	-	151,299	539	151,838
Payroll costs	-	192,161	96,011	288,172
Performing artists' fees	-	80,475	-	80,475
Bank charges	-	70,393	-	70,393
Printing and supplies	-	61,026	4,080	65,106
Memberships and subscriptions	-	-	27,663	27,663
Postage	-	19,789	6,628	26,417
Internet and communications	-	-	19,248	19,248
Occupancy (includes $15,317 inkind)	-	-	51,621	51,621
Professional services	-	1,000	16,420	17,420
Advertising	-	37,944	-	37,944
Insurance	-	4,300	-	4,300
Travel and lodging	-	82,466	788	83,254
Depreciation	-	-	1,029	1,029
Decoration	-	39,051	-	39,051
Auctions		16,300	-	16,300
Other expenses	-	5,595	9,288	14,883
TOTAL EXPENSES	$ 5,076,051	$ 1,165,294	$ 233,315	$ 6,474,660

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (918,109)	$ 3,335,146
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Value of donated property	(131,432)	-
Depreciation	1,028	1,029
Changes in operating assets and liabilities:		
Accounts receivable	7,848	(21,077)
Employee receivable	(9,385)	-
Prepaid expenses	8,858	3,993
Accrued expenses	(105)	(11,947)
Other payables	-	(5,051)
Total adjustment	(123,188)	(33,053)
Net cash (used in)/provided by operating activities	(1,041,297)	3,302,093
CASH FLOWS FROM INVESTING ACTIVITIES		
Net payments to acquire investments	(382,880)	(957,194)
Purchases of property and equipment	-	(649)
Net cash used in investing activities	(382,880)	(957,843)
NET (DECREASE)/INCREASE IN CASH	(1,424,177)	2,344,250
CASH, BEGINNING OF YEAR	3,792,287	1,448,037
CASH, END OF YEAR	$ 2,368,110	$ 3,792,287

The accompanying notes are an integral part of the financial statements

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Ekal Vidyalaya Foundation of USA, Inc. (the "Foundation"), is a 501(c)(3) non-profit public benefit corporation that was founded in 2000 for the purpose of providing funds to support the various programs of Ekal Vidyalaya Foundation of India ("EVFI"), a non-Government, non-profit organization. The primary mission of EVFI is focused on achieving holistic development of villages through empowerment of tribal and rural communities in India with basic education, digital literacy, skill development, health awareness, learning modern and productive agricultural practices, and rural entrepreneurship. The mission also targets to promote the self-esteem and happiness of every child across rural India. EVFI runs tens of thousands of one-teacher schools (known as Ekal Vidyalayas) all over India, with the philosophy of rural development based on the criteria of equality and inclusiveness.

The Foundation is supported through individual and corporate contributions, and admission fees from fundraising events.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America. Under the accrual method, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses and asset additions are recognized at the time a liability arises which is normally at the time a service is received or title to an asset passes to the Foundation. Accordingly, the Foundation's financial statements reflect all significant receivables, payables, and other liabilities.

The Financial Accounting Standards Board ("FASB") is the body that establishes the financial accounting standards that govern the preparation of financial reports by nongovernmental entities, including nonprofit organizations, in the United States of America.

Basis of Presentation

The Foundation prepares its financial statements in accordance with the requirements of FASB's Accounting Standards Codification ("ASC") Topic 958-205, *Financial Statements of Nonprofit Organizations*, as updated by Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Nonprofit Entities.* Accordingly, the Foundation reports information regarding its financial position and activities according to the following two classes of net assets:

1. *Net Assets without Donor/External Restrictions* – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Foundation.
2. *Net Assets with Donor/External Restrictions* – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. This class of net assets also includes any resources that are subject to donor

restrictions requiring that the principal be held in perpetuity and any income thereon may be used by the Foundation.

The Foundation is also required by FASB ASC Topic 958-205 to present a statement of cash flows and an analysis of its expenses by both functional and natural classifications, as well as make enhanced disclosures about its liquidity and availability of resources.

Reclassifications of Prior Year Account Balances

Certain balances of the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Revenue Recognition

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, contributions received by the Foundation are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor restrictions.

Contributions are recognized as revenues in the period the Foundation receives any direct cash donation or any unconditional promises to give cash. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The Foundation did not have any conditional promises to give as of December 31, 2019 or 2018. Contributions of assets other than cash are recorded at their estimated fair value at the date of the contribution. Contributions with donor-restrictions are reported as increases in net assets with donor-restrictions. When a restriction expires, net assets with donor-restrictions are reclassified to net assets without donor-restrictions and reported in the statement of activities as net assets released from restrictions. When both restricted and unrestricted resources are available for use for the same purpose, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Income from fundraising activities such as sales of tickets and other admission fees to fundraising events are recorded when cash is received. Interest income is recognized when earned. Dividends are recorded on the ex-dividend date.

Expenses are recorded as decreases in net assets without donor-restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Donated Services and Inkind Support

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, contributed services are recognized at their estimated fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation received donated services from Board members and other volunteers helping with the Foundation's program activities throughout the United States, estimated by management at thousands of hours in 2019 and 2018. While these services are beneficial to the Foundation, no amount has been recognized for them in the accompanying financial statements because they did not meet the criteria for recognition in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America.

Donated assets such as securities and real property are recorded at their estimated fair value at the time of the donation. The Foundation recorded $282,051 and $98,844 of donated assets in 2019 and 2018, respectively.

Donated Use of Facilities

The Foundation accounts for free uses of facilities as inkind contributions at the amounts the Foundation would have paid for the facilities under existing lease agreements or based on current market rates to lease the facilities.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is classified as a public charity under Section 170(b)(1)(A)(vi) of the Code. However, income generated from activities unrelated to the Foundation's exempt purpose may be subject to tax under Section 511 of the Code. The Foundation did not conduct any unrelated business activities in the years ended December 31, 2019 and 2018. Accordingly, the Foundation has made no provision for federal income taxes in the accompanying financial statements. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Code.

The Foundation applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation files Form 990, *Return of Organization Exempt from Income Tax*, in the United States federal jurisdiction within the United States. The Federal income tax returns of the Foundation for years 2016 through 2018 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Functional Allocation of Expenses

In accordance with FASB ASC Topic 958-720-45-2, *Functional Classification of Expenses,* the costs of providing various programs and other activities of the Foundation have been summarized on a functional basis (i.e., expenses have been grouped according to the purpose for which they were incurred) in the statements of activities and in the statements of functional expenses. As more fully described in Note 6, the primary functional classifications of the Foundation's uses of resources are *program services expenses*, *management and general expenses, and fundraising expenses*.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted for nonprofit organizations in the United States of America requires management to make estimates and assumptions that affect the following aspects of the financial statements:

≈ the reported amounts of assets and liabilities,

≈ the 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.

Significant estimates included in the accompanying financial statements relate to the basis of allocating expenses to the benefited functions in the statements of activities and the statements of functional expenses. Accordingly, actual results could differ from those estimates. Management believes these estimates provide a reasonable basis for the fair presentation of the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition. It is policy of the Foundation to report cash and cash equivalents at their carrying value since it approximates their fair value because of the short maturities of those financial instruments. There were no cash equivalents included in cash as of December 31, 2019 and 2018.

Investments

Cash held for donor-designated purposes for future years, as well as any excess liquidity, may be invested temporarily in certificates of deposit and mutual funds. Interest received are reported as an increase or decrease in net assets without donor-restrictions unless their use is limited by donor-imposed restrictions.

Donations of stocks and other marketable securities received from donors are either sold immediately or held for a while. Stocks and marketable securities held at the end of the year are reported at their readily determinable fair values in the statements of financial position. Realized and unrealized gains and losses are included in the net return on investments reported in the statements of activities. Returns on investments are reported as increases or decreases in net assets without donor-restrictions unless their use is limited by donor-imposed restrictions.

Property and Equipment

Property and equipment are generally recorded at cost. It is the Foundation's policy to capitalize acquisition of individual property and equipment items over $500. Property and equipment are depreciated using the straight-line method over the estimated useful lives of assets, ranging from 36 months to 60 months. Routine maintenance and repairs are charged to expense as incurred.

New Accounting Pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This guidance outlines a single, comprehensive model for accounting for revenues from contracts with customers. The Foundation adopted the standard in the year ended December 31, 2019 which is the applicable effective period. The Foundation has analyzed the provisions of ASU No. 2014-09, and has concluded that no changes other than making additional footnote disclosures to the financial statements are necessary to conform with this new accounting standard. The Foundation's activities that generate revenues involve single delivery elements, and revenue is recognized at a single point in time when donations and unconditional promises to give are received or when event tickets are sold for cash. The Foundation does not sell goods or services and does not have contract-based revenues. The timing of revenue recognition was not affected by the new standard.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made.* This ASU is intended to distinguish a donor-imposed condition from a donor-imposed restriction. The new standard also provides a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also clarifies whether a contribution is conditional. This pronouncement became effective for the Foundation's 2019 financial statements and was retrospectively applied to 2018. This new accounting principle had no cumulative-effect adjustment to the net assets at the beginning of 2018 or 2019, or the recorded contribution revenue in both years.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This Update requires a lessee of property under an operating lease agreement, such as but not limited to leases of an office or storage space, to recognize in the statement of financial position (a) a liability to make lease payments (the lease liability) and (b) a right-of-use "asset" representing its right to use the underlying asset for the lease term. The implementation of this new standard, which will become effective for the Foundation's 2020 financial statements, would result in the following new accounting requirements:

1. Initial measurement, and inclusion in the statement of financial position, of the right-of-use asset and the corresponding lease liability at the present value of the lease future payments.
2. Recognition of a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and
3. Classification of all cash payments for operating leases within the operating activities section in the statement of cash flows.

The Foundation is currently evaluating how ASU No. 2016-02 might affect the presentation of its financial statements.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC Topic 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value of financial assets and liabilities. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Statement also establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs).

The Foundation measures and reports certain assets 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.

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 under FASB ASC Topic 820-10 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: Less observable or unobservable inputs that are supported by little or no market activity.

The following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of December 31, 2019:

	Fair Value Measurement				
	Level 1	Level 2	Level 3	Total	Cost
December 31, 2019:					
Savings and Time Deposits	$ 328,820	$ -	$ -	$ 328,820	$ 328,820
Certificates of Deposit	986,437	-	-	986,437	970,000
Mutual Funds	1,843	-	-	1,843	1,225
Stocks	74,141	-	-	74,141	35,032
Total	$ 1,391,241	$ -	$ -	$ 1,391,241	$ 1,335,077

The following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of December 31, 2018:

	Fair Value Measurement				
	Level 1	Level 2	Level 3	Total	Cost
December 31, 2018:					
Certificates of Deposit	$ 976,903	$ -	$ -	$ 976,903	$ 970,000
Stocks	31,457	-	-	31,457	-
Total	$ 1,008,360	$ -	$ -	$ 1,008,360	$ 970,000

The Foundation's investments are exposed to various risks such as custodial, credit, and market risks which are described in greater details in Note 8, as well as interest rate risks.

All assets have been valued using a market approach. There were no changes in the valuation techniques applied to financial instruments during the current year.

The following schedule summarizes investment returns in the statements of activities:

	2019	2018
Interest and dividend income	$ 62,935	$ 24,066
Net gain on investments	12,133	4,971
Net return on investments	$ 75,068	$ 29,037

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation and amortization, as of December 31, 2019 and 2018:

	2019	2018
Promotion equipment	$ 11,350	$ 11,350
Office equipment	7,822	7,822
Software	36,606	36,606
	55,778	55,778
Accumulated depreciation and amortization	(53,844)	(52,816)
Property and equipment, net	$ 1,934	$ 2,962

Depreciation and amortization expense for the years ended at December 31, 2019 and 2018, totaled and $1,028 and $1,029, respectively.

4. DONATED PROPERTY

In December 2019, the Foundation received a donation of a condo in Orlando, Florida. The property was recorded at a fair value, net of estimated fees, of $131,342. The property was held for sale as of December 31, 2019.

5. NET ASSETS

Net Assets/(Deficit) without Donor-Restrictions:

The Foundation's total net assets without donor-restrictions as of December 31, 2019 and 2018, was $762,125 and $842,364, respectively, which was available to support the Foundation's programs and activities.

Net Assets with Donor-Restrictions:

At December 31, 2019 and 2018, the total net assets with donor-restrictions in terms of the timing and the purpose of their use were $3,156,507 and $3,994,387, respectively. The following table identifies the compositions of net assets with donor-restrictions as of December 31, 2019 and 2018:

	2019	2018
Multi-Year School Fund	$ 1,836,680	$ 2,298,040
Rural Development Projects	1,319,827	1,696,347
Total Net Assets with Donor-Restrictions	$ 3,156,507	$ 3,994,387

6. METHODS USED FOR ALLOCATION OF EXPENSES TO THE BENEFITTED PROGRAM OR SUPPORTING FUNCTIONS

The costs of providing various programs and other activities of the Foundation have been summarized on a functional basis (i.e., expenses have been grouped according to the purpose for which they were incurred) in the statements of activities and in the statements of functional expenses, in accordance with FASB ASC Topic 958-720-45-2, *Functional Classification of Expenses*. The primary functional classifications of the Foundation's uses of resources are *Program Services*, *Fundraising*, and *Management and General* expenses. The latter two are considered the supporting functions – i.e., activities performed to support the Foundation's core program activities. The Foundation's core program activities are described in the "Organization and Purpose" paragraph of Note 1. Fundraising expenses are costs incurred in connection with events and other activities targeted at increasing public awareness and raising funds for the Foundation's programs and activities. Management and general expenses include those expenses that are not directly identifiable with the core function but provide for the overall support and direction of the Foundation.

The Foundation's expenses that are attributable to more than one function have been allocated among the program or supporting activities benefited. Expenses that are directly attributable to a single function are classified to that function and are not allocated to other functions. The allocated expenses include the following:

- ≈ Personnel costs are allocated based on estimates of personnel's time and effort for each function.
- ≈ Printing and supplies are allocated on the basis of management's estimate of the ratio of fundraising activities to the total supporting expenses.
- ≈ Postage is allocated based on management's estimate of the ratio of fundraising activities to the total supporting expenses.
- ≈ Travel and lodging expenses are allocated on the ratio of management's estimate of the percentage of travels for the different functions.

7. LIQUIDITY MANAGEMENT

Accounting principles generally accepted for nonprofit organizations in the United States of America require organizations to make enhanced disclosures about liquidity and availability of resources as well as how the organization manages its liquidity. The Foundation had $621,348 and $823,123 as of December 31, 2019 and 2018, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of the following:

	2019	2018
Cash and cash equivalents	$ 2,368,110	$ 3,792,287
Investments	1,391,241	1,008,360
Receivables	25,679	24,142
Total financial assets at year end	3,785,030	4,824,789
Less : - Funds held for donor-restricted purposes	(3,156,507)	(3,994,387)
- Accounts payable and accrued liabilities	(7,175)	(7,279)
Financial assets available to meet cash needs for general expenditures within one year	$ 621,348	$ 823,123

The Foundation reasonably estimates its cash needs on a quarterly basis and is able to structure its financial assets to provide cash for its general expenditures, liabilities, and other obligations as they become due.

8. CONCENTRATIONS OF CUSTODIAL AND CREDIT RISKS

Custodial and credit risks refer to the probability that in the event of the failure of a depository financial institution or broker, the depositor would not be able to recover the deposits. Additionally, because of the market risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

Financial instruments that are subject to concentrations of custodial and credit risks consist of cash and investments. The Foundation maintains cash balances with financial institutions considered by management as credit-worthy and strong. These cash balances may occasionally exceed limits insured by the Federal Deposit Insurance Corporation ("FDIC"), which is $250,000 per customer per financial institution. As of December 31, 2019 and 2018, the Foundation's cash balances with financial institutions exceeded the FDIC insured limit by approximately $591,000 and $2,677,000, respectively, which were not otherwise insured. Management believes that any credit risk is low due to the overall financial strength of these financial institutions. The Foundation did not experience any loss of assets resulting from a financial institution's custodial credit risk in 2019 or 2018.

The Foundation invested in marketable securities, including certificates of deposit, mutual funds, and stocks. These investments were valued at $1,391,241 and $1,008,360 at December 31, 2019 and 2018, respectively. The Securities Investor Protection Corporation ("SIPC") insures each investor against securities custodial risks up to $500,000, inclusive of a sublimit of $250,000 for claims of cash. SIPC does not protect against the decline in value of securities. The Foundation's securities were held by a SIPC-member company and qualified as securities for purposes of SIPC protection up to the protection overall limit and sublimit described above in this paragraph. In addition, the Foundation maintained total cash balance of approximately $986,437 and $976,810 as of December 31, 2019 and 2018, respectively, with the investment company. These cash balances exceeded the SIPC's $250,000 protection sublimit for claims of cash as of December 31, 2019 and 2018, by approximately $736,000 and $727,000, respectively. These unsecured cash amounts were not otherwise insured as of those dates.

9. LEASE COMMITMENT

The Foundation leases an office space in the West Oaks Mall, Houston, Texas. The lease agreement, which became effective on October 1, 2018 and expired on September 30, 2019 and has since continued in effect on a month-to-month basis, does not require the Foundation to pay any rents. The Foundation has recorded $18,043 of inkind contributions in 2019 for the free use of the space based on the rate paid by other tenants in the Mall. Prior to October 1, 2018, the Foundation used another office location in Houston rent free and recorded $13,200 of inkind contributions for the free use of the space in 2018. In accordance with the West Oaks Mall lease agreement, the Foundation pays $500 per month, amounting to a total of $6,000 in 2019 and $1,500 in 2018, for common area maintenance.

10. SUBSEQUENT EVENTS

Management evaluated events subsequent to December 31, 2019 through October 16, 2020, which is the date that the financial statements were available for issuance, to assess the need for potential recognition or disclosures in the financial statements, and has determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.