

EKAL VIDYALAYA FOUNDATION
OF USA, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020



Bankole, Okoye & Associates PC

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EKAL VIDYALAYA FOUNDATION OF USA

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Ekal Vidyalaya Foundation of USA

Auditors' Opinion

We have audited the accompanying financial statements of Ekal Vidyalaya Foundation of USA, (the "Foundation"), a nonprofit corporation registered in the State of California, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Auditors' Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Members of the Following Quality Control Bodies:



INDEPENDENT AUDITORS' REPORT, *CONTINUATION*

For the years ended December 31, 2021 and 2020

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bankole, Okoye & Associates PC

Bankole, Okoye & Associates PC
Certified Public Accountants and Business Advisors
Houston, Texas
September 28, 2022

Financial Statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
<i>Current Assets:</i>		
Cash	\$ 7,910,094	\$ 8,885,273
Accounts receivable	4,024	9,103
Employee receivables	-	9,385
Investments - (Note 2)	387,637	360,288
Prepaid expenses	5,250	-
Donated property - (Note 3)	-	580,000
Total current assets	8,307,005	9,844,049
Property and equipment, net - (Note 4)	3,010	1,686
TOTAL ASSETS	<u>\$ 8,310,015</u>	<u>\$ 9,845,735</u>
LIABILITIES AND NET ASSETS		
<i>LIABILITIES</i>		
<i>Current Liabilities:</i>		
Accrued expenses	\$ 6,179	\$ 6,287
Refundable advance - (Note 5)	-	64,462
Total current liabilities	6,179	70,749
Total liabilities	6,179	70,749
<i>NET ASSETS</i>		
Without donor-restrictions	2,083,452	1,507,601
With donor-restrictions - (Note 6)	6,220,384	8,267,385
Total net assets	8,303,836	9,774,986
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,310,015</u>	<u>\$ 9,845,735</u>

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor- Restrictions	With Donor- Restrictions	Total
REVENUES:			
Contributions	\$ 1,759,458	\$ 7,062,944	\$ 8,822,402
Ticket sales and admissions to fundraising events	15,590	-	15,590
Return on investments - (Note 2)	478	-	478
Government grant (Note 5)	64,462	-	64,462
Inkind contributions	18,043	-	18,043
Net assets released from restrictions:			
Satisfaction of purpose and time restrictions	9,109,945	(9,109,945)	-
TOTAL REVENUES	10,967,976	(2,047,001)	8,920,975
EXPENSES:			
Program services:			
Rural schools and developments (Note 7)	9,683,212	-	9,683,212
Total program services	9,683,212	-	9,683,212
Supporting services:			
Fundraising	435,990	-	435,990
Management and general	272,923	-	272,923
Total supporting services	708,913	-	708,913
TOTAL EXPENSES	10,392,125	-	10,392,125
CHANGE IN NET ASSETS	575,851	(2,047,001)	(1,471,150)
NET ASSETS, BEGINNING OF YEAR	1,507,601	8,267,385	9,774,986
NET ASSETS, END OF YEAR	\$ 2,083,452	\$ 6,220,384	\$ 8,303,836

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor- Restrictions</u>	<u>With Donor- Restrictions</u>	<u>Total</u>
REVENUES			
Contributions (include \$7,000 of federal grant)	\$ 760,967	\$ 8,571,776	\$ 9,332,743
Ticket sales and admissions into fundraising events	46,966	-	46,966
Sponsorship, promotions, and other revenues	25,192	-	25,192
Net return on investments - (Note 2)	(3,602)	-	(3,602)
Inkind contributions	598,113	-	598,113
Net assets released from restrictions:			
Satisfaction of purpose and time restrictions	<u>3,460,898</u>	<u>(3,460,898)</u>	<u>-</u>
TOTAL REVENUES	<u>4,888,534</u>	<u>5,110,878</u>	<u>9,999,412</u>
EXPENSES			
Program services:			
Rural schools and developments (Note 7)	<u>3,460,898</u>	<u>-</u>	<u>3,460,898</u>
Total program services	<u>3,460,898</u>	<u>-</u>	<u>3,460,898</u>
Supporting services:			
Fundraising	490,125	-	490,125
Management and general	<u>192,035</u>	<u>-</u>	<u>192,035</u>
Total supporting services	<u>682,160</u>	<u>-</u>	<u>682,160</u>
TOTAL EXPENSES	<u>4,143,058</u>	<u>-</u>	<u>4,143,058</u>
CHANGE IN NET ASSETS	745,476	5,110,878	5,856,354
NET ASSETS, BEGINNING OF YEAR	<u>762,125</u>	<u>3,156,507</u>	<u>3,918,632</u>
NET ASSETS, END OF YEAR	<u>\$ 1,507,601</u>	<u>\$ 8,267,385</u>	<u>\$ 9,774,986</u>

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, 2021

	Program Services	Fundraising	Management and General	Total Expenses
Programs and projects - India	\$ 9,683,212	\$ -	\$ -	\$ 9,683,212
Facility and equipment rental	-	9,980	-	9,980
Food and entertainment	-	640	-	640
Personnel costs	-	275,465	125,936	401,401
Performing artists' fees	-	500	-	500
Bank charges	-	62,074	-	62,074
Printing and supplies	-	16,008	3,843	19,851
Memberships and subscriptions	-	-	34,545	34,545
Postage	-	14,607	4,230	18,837
Internet and communications	-	-	7,553	7,553
Occupancy (includes inkind of \$18,043)	-	-	39,730	39,730
Professional services	-	-	54,765	54,765
Advertising	-	24,022	-	24,022
Insurance	-	9,794	-	9,794
Travel and lodging	-	22,582	1,401	23,983
Depreciation	-	-	620	620
Decoration	-	261	-	261
Other expenses	-	57	300	357
TOTAL EXPENSES	<u>\$ 9,683,212</u>	<u>\$ 435,990</u>	<u>\$ 272,923</u>	<u>\$ 10,392,125</u>

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, 2020

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Programs and projects - India	\$ 3,360,898	\$ -	\$ -	\$ 3,360,898
Programs and projects - Nepal	100,000	-	-	100,000
Facility and equipment rental	-	36,064	-	36,064
Food and entertainment	-	30,318	-	30,318
Payroll costs	-	208,141	94,879	303,020
Performing artists' fees	-	1,818	-	1,818
Bank charges	-	60,516	-	60,516
Printing and supplies	-	19,374	1,557	20,931
Memberships and subscriptions	-	-	31,523	31,523
Postage	-	19,279	2,064	21,343
Internet and communications	-	-	20,800	20,800
Occupancy (includes inkind of \$18,113)	-	-	28,948	28,948
Professional services	-	-	8,281	8,281
Advertising	-	26,189	-	26,189
Insurance	-	5,038	-	5,038
Travel and lodging	-	77,913	993	78,906
Depreciation	-	-	847	847
Decoration	-	1,761	-	1,761
Other expenses	-	3,713	2,143	5,856
TOTAL EXPENSES	<u>\$ 3,460,898</u>	<u>\$ 490,125</u>	<u>\$ 192,035</u>	<u>\$ 4,143,058</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,471,150)	\$ 5,856,354
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Value of donated assets	(28,589)	(580,000)
Government grant recognized from forgiven loan	(64,462)	-
Depreciation	620	847
Changes in operating assets and liabilities:		
Accounts receivable	5,079	7,191
Employee receivables	9,385	-
Prepaid expenses	(5,250)	7,411
Accrued expenses	(108)	(888)
Total adjustment	<u>(83,325)</u>	<u>(565,439)</u>
Net cash (used in)/provided by operating activities	<u>(1,554,475)</u>	<u>5,290,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment assets	-	1,019,385
Purchases of property and equipment	(704)	(599)
Proceeds from sales of donated property	<u>580,000</u>	<u>143,000</u>
Net cash provided by investing activities	<u>579,296</u>	<u>1,161,786</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from refundable advance	-	64,462
Net cash provided by financing activities	<u>-</u>	<u>64,462</u>
NET (DECREASE)/INCREASE IN CASH	(975,179)	6,517,163
CASH, BEGINNING OF YEAR	<u>8,885,273</u>	<u>2,368,110</u>
CASH, END OF YEAR	<u>\$ 7,910,094</u>	<u>\$ 8,885,273</u>

The accompanying notes are an integral part of the financial statements

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 and 2020

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. 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-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. However, the Foundation did not have any resources to be held in perpetuity.

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 and 2020

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.

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 or non-cash donation or any unconditional promise 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, 2021 and 2020. 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 2021 and 2020. 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.

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 and 2020

Donated marketable securities are typically sold the next business day and the net proceeds are recorded as cash contributions. The Foundation recorded \$197,543 and \$178,075 as cash contributions from sales of donated marketable securities in the years ended December 31, 2021 and 2020, respectively. Donated properties and other forms of tangible assets are recorded at their estimated fair value at the time of the donation. The Foundation recorded \$0 and \$580,000 of donated properties and other assets in 2021 and 2020, respectively.

Donated Use of Facilities

The Foundation accounts for free uses of facilities as inkind contributions at the estimated amounts that the Foundation would have paid for the facilities under existing lease agreements or based on current market rates to lease the facilities. Donated use of facilities valued at \$18,043 was recognized each year in 2021 and 2020.

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, 2021 and 2020. 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 2020 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 8, the primary functional classifications of the Foundation’s uses of resources are program services expenses, fundraising expenses, and management and general expenses.

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 and 2020

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:

1. the reported amounts of assets and liabilities,
2. the disclosure of contingent assets and liabilities at the date of the financial statements, and
3. the reported amounts of revenues and expenses during the reporting period.

Significant estimates included in the accompanying financial statements relate to the basis for 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 the 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, 2021 and 2020.

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 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 2022 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.

Reclassifications

Certain balances reported in prior year, including certain net assets with and without donor restrictions, have been reclassified to conform to current year presentation.

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.

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 and 2020

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, 2021:

	Fair Value Measurement				Cost
	Level 1	Level 2	Level 3	Total	
<u>December 31, 2021:</u>					
Savings and Time Deposits	\$ 328,291	\$ -	\$ -	\$ 328,291	\$ 328,291
Stocks	55,118	-	-	55,118	21,405
Exchange Traded Funds	2,751	-	-	2,751	1,862
Mutual Funds	1,477	-	-	1,477	1,477
Total	<u>\$ 387,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,637</u>	<u>\$ 353,035</u>

The following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of December 31, 2020:

	Fair Value Measurement				Cost
	Level 1	Level 2	Level 3	Total	
<u>December 31, 2020:</u>					
Savings and Time Deposits	\$ 328,126	\$ -	\$ -	\$ 328,126	\$ 328,820
Stocks	32,162	-	-	32,162	4,906
Total	<u>\$ 360,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,288</u>	<u>\$ 333,726</u>

The Foundation's investments are exposed to various risks such as custodial, credit, and market risks which are described in greater details in Note 10. 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:

	2021	2020
Interest and dividend income	\$ 989	\$ 31,305
Net loss on value of investments	(511)	(34,907)
Net return on investments	<u>\$ 478</u>	<u>\$ (3,602)</u>

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 and 2020

3. DONATED PROPERTY

In 2020, the Foundation received a donation of an office suite in a business plaza in Chicago, Illinois. The property was recorded at fair value. Donated properties are held for sale. The property was sold in 2021 at a gross price of \$580,000.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation and amortization, as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Promotion equipment	\$ 11,350	\$ 11,350
Office equipment	14,417	12,473
Software	<u>32,554</u>	<u>32,554</u>
	58,321	56,377
Accumulated depreciation and amortization	<u>(55,311)</u>	<u>(54,691)</u>
Property and equipment, net	<u>\$ 3,010</u>	<u>\$ 1,686</u>

Depreciation and amortization expense for the years ended on December 31, 2021 and 2020, totaled and \$620 and \$847, respectively.

5. REFUNDABLE ADVANCE/GOVERNMENT GRANT

In 2020, the Foundation participated in the federal government's Paycheck Protection Program ("PPP") which is a loan program administered by the Small Business Administration's ("SBA") under the 2020 Coronavirus Aid, Relief, and Economic Security Act. The loan program allowed organizations that were adversely impacted by the coronavirus pandemic to borrow forgivable loans from the SBA to cover payroll, rent, utilities and other expenses. Total of \$64,462 borrowed by the Foundation in 2020 was fully forgiven by the SBA in 2021 and has been recorded as government grant revenue in the year ended December 31, 2021. The loan was reported as a refundable advance in the 2020 financial statements.

6. NET ASSETS

Net Assets without Donor-Restrictions:

The Foundation's total net assets without donor-restrictions as of December 31, 2021 and 2020, was \$2,083,452 and \$1,507,601, respectively, which was available to support the Foundation's programs and activities.

Net Assets with Donor-Restrictions:

As of December 31, 2021 and 2020, the total net assets with donor-restrictions in terms of the timing and the purpose of their use was \$6,220,384 and \$8,267,385, respectively. The following table

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identifies the compositions of net assets with donor-restrictions, by program, as of December 31, 2021 and 2020:

	2021	2020
School Fund	\$ 1,935,797	\$ 5,902,174
Rural Development Projects and Arogya	4,284,587	2,365,211
Total Net Assets with Donor-Restrictions	<u>\$ 6,220,384</u>	<u>\$ 8,267,385</u>

7. PROGRAM SERVICES EXPENSES

The Foundation's support for program activities in India are passed-through several charitable non-governmental organizations that are based in India. In almost all cases, funds provided by the Foundation for program activities in India are related to specified projects such as rural schools in named locations, vocational skills acquisition centers and training, health and healthcare in the India rural and tribal communities (a.k.a. Telemedicine), and equipment and supplies for teachers and students. Charitable organizations in India and Nepal, which received program funds from the Foundation in 2021 and 2020, were as follows:

	2021	2020
Ekal Vidyalaya Foundation of India	\$ 3,971,636	\$ 1,500,000
Friends of Tribals Society, India	2,991,112	21,400
Bharat Lok Shiksha Parishad, India	947,696	-
Arogya Foundation of India	938,382	95,210
Ekal Gramothan Foundation, India	828,781	471,900
Ekal Abiyan, India	5,605	1,272,388
Ekal Vidyalaya Foundation of Nepal	-	100,000
Total	<u>\$ 9,683,212</u>	<u>\$ 3,460,898</u>

8. METHODS USED FOR ALLOCATION OF EXPENSES TO THE BENEFITED 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 Foundation's core program activities are described in the "Organization and Purpose" paragraph of Note 1. Fundraising and management and general activities are the supporting functions, i.e., activities performed to support the Foundation's core programs. 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.

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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:

1. Personnel costs are allocated based on estimates of personnel's time and effort for each function.
2. Printing, travel, supplies, and postage expenses are allocated on the basis of management's estimate of the amount of those resources consumed by each benefitted function.

9. 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 entity manages its liquidity. The Foundation had \$2,079,832 and \$996,664 as of December 31, 2021 and 2020, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of the following:

	2021	2020
Cash and cash equivalents	\$ 7,910,094	\$ 8,885,273
Receivables	2,485	18,488
Investments	387,637	360,288
Total financial assets at year end	8,300,216	9,264,049
<i>Less:</i> Funds held for donor-restricted purposes	<u>(6,220,384)</u>	<u>(8,267,385)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,079,832</u>	<u>\$ 996,664</u>

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.

10. CONCENTRATIONS OF CUSTODIAL AND CREDIT RISKS

Custodial and credit risks refer to the chances that in the event of the failure of a broker or depository financial institution, the depositor would not be able to recover its assets. 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 financial statements.

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

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by the Federal Deposit Insurance Corporation (“FDIC”), which is \$250,000 per customer per financial institution. As of December 31, 2021 and 2020, the Foundation’s cash balances with financial institutions exceeded the FDIC insured limit by approximately \$7,099,000 and \$7,649,300 in total, 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 2021 or 2020.

The Foundation invested in marketable securities, including certificates of deposit, mutual funds, and stocks. These investments were valued at \$387,637 and \$360,288 as of December 31, 2021 and 2020, 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.

11. LEASE COMMITMENT

The Foundation leases an office space in the West Oaks Mall, Houston, Texas. The lease agreement became effective on October 1, 2018. The lease agreement expired on September 30, 2019, and has since continued in effect on a month-to-month basis. The agreement does not require the Foundation to pay any rents. The Foundation has recorded \$18,043 of inkind contributions in 2021 and in 2020 for the free use of the space based on the rate paid by other tenants in the Mall. In accordance with the agreement, the Foundation pays \$500 per month to the landlord, amounting to a total of \$6,000 in 2021 and in 2020, for common area maintenance.

12. SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2021, and through September 28, 2022, 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 additional subsequent events occurred that require recognition or additional disclosure in the financial statements.