

EKAL VIDYALAYA FOUNDATION  
OF USA, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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  
June 11, 2019

FINANCIAL STATEMENTS SECTION

EKAL VIDYALAYA FOUNDATION OF USA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,792,287	\$ 1,448,037
Certificates of deposit	976,903	50,132
Stocks	31,457	1,034
Account receivable	24,142	3,065
Prepaid expenses	16,269	20,262
Property and equipment, net	<u>2,962</u>	<u>3,342</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,844,020</u>	<u>\$ 1,525,872</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITES</b>		
Accrued expenses	\$ 7,279	\$ 19,226
Other payables	<u>-</u>	<u>5,051</u>
<b>Total liabilities</b>	<u>7,279</u>	<u>24,277</u>
<b>NET ASSETS/(DEFICIT)</b>		
Without donor-restrictions	842,354	(284,960)
With donor-restrictions	<u>3,994,387</u>	<u>1,786,555</u>
<b>Total net assets</b>	<u>4,836,741</u>	<u>1,501,595</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,844,020</u>	<u>\$ 1,525,872</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions	\$ 5,546,546	\$ 3,721,060	\$ 9,267,606
Income from fund-raising activities	497,848	-	497,848
Net return on investments	29,037	-	29,037
Inkind contributions	15,315	-	15,315
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>1,513,228</u>	<u>(1,513,228)</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>7,601,974</u>	<u>2,207,832</u>	<u>9,809,806</u>
<b>EXPENSES</b>			
Program services:			
Rural schools and developments	<u>5,076,051</u>	<u>-</u>	<u>5,076,051</u>
<b>Total program services</b>	<u>5,076,051</u>	<u>-</u>	<u>5,076,051</u>
Supporting services:			
Management and general	233,315	-	233,315
Fundraising	<u>1,165,294</u>	<u>-</u>	<u>1,165,294</u>
<b>Total supporting services</b>	<u>1,398,609</u>	<u>-</u>	<u>1,398,609</u>
<b>TOTAL EXPENSES</b>	<u>6,474,660</u>	<u>-</u>	<u>6,474,660</u>
<b>CHANGE IN NET ASSETS</b>	1,127,314	2,207,832	3,335,146
<b>NET (DEFICIT)/ASSETS, BEGINNING OF YEAR</b>	<u>(284,960)</u>	<u>1,786,555</u>	<u>1,501,595</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 842,354</u>	<u>\$ 3,994,387</u>	<u>\$ 4,836,741</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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions	\$ 6,703,952	\$ 1,326,290	\$ 8,030,242
Income from fundraising activities	404,707	-	404,707
Net return on investments	(1,404)	-	(1,404)
Inkind contributions	17,768	-	17,768
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>526,165</u>	<u>(526,165)</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>7,651,188</u>	<u>800,125</u>	<u>8,451,313</u>
<b>EXPENSES</b>			
Program services:			
Rural schools and developments	<u>7,484,935</u>	<u>-</u>	<u>7,484,935</u>
Total program services	<u>7,484,935</u>	<u>-</u>	<u>7,484,935</u>
Supporting services:			
Management and general	179,111	-	179,111
Fundraising	<u>996,632</u>	<u>-</u>	<u>996,632</u>
Total supporting services	<u>1,175,743</u>	<u>-</u>	<u>1,175,743</u>
<b>TOTAL EXPENSES</b>	<u>8,660,678</u>	<u>-</u>	<u>8,660,678</u>
<b>CHANGE IN NET ASSETS</b>	(1,009,490)	800,125	(209,365)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>724,530</u>	<u>3,994,387</u>	<u>4,718,917</u>
<b>NET (DEFICIT)/ASSETS, END OF YEAR</b>	<u>\$ (284,960)</u>	<u>\$ 4,794,512</u>	<u>\$ 4,509,552</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, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
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	-	539	151,299	151,838
Payroll costs	-	96,011	192,161	288,172
Performing artists' fees	-	-	80,475	80,475
Bank charges	-	-	70,393	70,393
Printing and supplies	-	4,080	61,026	65,106
Memberships and subscriptions	-	27,663	-	27,663
Postage	-	6,628	19,789	26,417
Internet and communications	-	19,248	-	19,248
Occupancy	-	36,304	-	36,304
Professional services	-	16,420	1,000	17,420
Advertising	-	-	37,944	37,944
Insurance	-	-	4,300	4,300
Inkind expenses	-	15,317	-	15,317
Travel and lodging	-	788	82,466	83,254
Depreciation	-	1,029	-	1,029
Decoration	-	-	39,051	39,051
Auctions	-	-	16,300	16,300
Other expenses	-	9,288	5,595	14,883
TOTAL EXPENSES	<u>\$ 5,076,051</u>	<u>\$ 233,315</u>	<u>\$ 1,165,294</u>	<u>\$ 6,474,660</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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Project Ekal - India	\$ 7,484,935	\$ -	\$ -	\$ 7,484,935
Facility and equipment rental	-	-	375,478	375,478
Food and entertainment	-	1,272	113,405	114,677
Payroll costs	-	96,470	193,044	289,514
Performing artists' fees	-	-	11,284	11,284
Bank charges	-	12	55,972	55,984
Printing and supplies	-	4,684	50,118	54,802
Memberships and subscriptions	-	20,149	-	20,149
Postage	-	1,590	17,097	18,687
Internet and communications	-	23,803	-	23,803
Occupancy (including \$13,200 inkind)	-	17,475	-	17,475
Professional services	-	9,650	250	9,900
Advertising	-	-	20,651	20,651
Insurance	-	-	3,319	3,319
Travel and lodging	-	634	105,923	106,557
Depreciation	-	979	-	979
Decoration	-	-	31,875	31,875
Auctions	-	-	11,500	11,500
Other expenses	-	2,393	6,715	9,108
TOTAL EXPENSES	<u>\$ 7,484,935</u>	<u>\$ 179,111</u>	<u>\$ 996,632</u>	<u>\$ 8,660,678</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,335,146	\$ (209,365)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	1,029	979
Changes in operating assets and liabilities:		
Accounts receivable	(21,077)	2,147
Prepaid expenses	3,993	(19,762)
Accrued expenses	(11,947)	14,403
Other payables	<u>(5,051)</u>	<u>5,051</u>
Total adjustment	<u>(33,053)</u>	<u>2,818</u>
Net cash provided by/(used in) operating activities	<u>3,302,093</u>	<u>(206,547)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(649)	(1,485)
Net purchases of certificates of deposit	(926,771)	(50,132)
Net (payment for purchases)/proceed from sales of investments	<u>(30,423)</u>	<u>292,800</u>
Net cash (used in)/provided by investing activities	<u>(957,843)</u>	<u>241,183</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,344,250	34,636
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,448,037</u>	<u>1,413,401</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,792,287</u>	<u>\$ 1,448,037</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, 2018 AND 2017

### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Nature of Activities

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 amended 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:

*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.

*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

# EKAL VIDYALAYA FOUNDATION OF USA, INC.

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

### Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which revised the nonprofit entities' financial reporting model. ASU No. 2016-14 became effective for the Foundation's 2018 financial statements and the future years, and has been implemented by the Foundation in 2018. Among other provisions, ASU No. 2016-14 requires various forms of enhanced financial disclosures, including disclosures about the amounts of expenses of the Foundation by both their natural and functional classifications, and that this analysis should be presented in one location in the financial statements. The Foundation has presented the statements of functional expenses as part of its basic financial statements, to satisfy the expense classifications requirement.

Among other provisions, ASU No. 2016-14 requires enhanced disclosures around the nature and amount of net asset restrictions (both donor/externally imposed and board-designated); how the Foundation manages its liquidity; and the methods used to allocate expenses to benefitted program and support functions.

ASU No. 2016-14 has been applied retrospectively to all periods presented. The implementation had no impact on previously reported net assets.

### Reclassifications of Prior Year Account Balances

Following the implementation of FASB ASU No. 2016-14, as described in the preceding paragraph, certain balances of the 2017 financial statements have been reclassified and relabeled to conform to the 2018 presentation. More specifically, investments previously reported as \$51,166 in 2017 have been segregated into certificates of deposit - \$50,132 and Stocks - \$1,034.

### 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, 2018 or 2017. 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-

# EKAL VIDYALAYA FOUNDATION OF USA, INC.

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

Admission fees from fundraising events are recorded when cash is received from the sales of the events' tickets. Interest income is recognized when earned. Dividends are recorded on the ex-dividend date.

### Contributed Services

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 receives thousands of hours of donated services from Board members and other volunteers helping with the Foundation's program activities throughout the United States. 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 contained in accounting principles generally accepted for nonprofit organizations in the United States of America.

### 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, 2018 and 2017. 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 2015 through 2017 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.

# EKAL VIDYALAYA FOUNDATION OF USA, INC.

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

### 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. Cash equivalents are primarily interest-bearing money market accounts maintained with financial institutions. Total cash equivalents as of December 31, 2018 and 2017 was \$0 and \$469,369, respectively.

### Certificates of Deposit

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

### Stocks

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.

### 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.

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (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:

- i. 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 based on the term of the lease;
- ii. 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
- iii. 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. 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

EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018:

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

The following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of December 31, 2017:

	Fair Value Measurement			Total	Cost
	Level 1	Level 2	Level 3		
<u>December 31, 2017:</u>					
Stocks	\$ 1,034	\$ -	\$ -	\$ 1,034	\$ -
Certificates of Deposit	50,132	-	-	50,132	50,000
Total	\$ 51,166	\$ -	\$ -	\$ 51,166	\$ 50,000

The Foundation's investments are exposed to various risks such as custodial credit risks which are described in greater details in Note 7, interest rate risks, and market risks.

All assets have been valued using a market approach. There were no changes in the valuations techniques during the current year.

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

	2018	2017
Interest and dividend income	\$ 24,066	\$ 34,177
Net gain/(loss) on investments	4,971	(35,581)
Net return on investments	\$ 29,037	\$ (1,404)



EKAL VIDYALAYA FOUNDATION OF USA, INC.

NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation and amortization, as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Promotion equipment	\$ 11,350	\$ 11,350
Office equipment	7,822	7,173
Software	<u>36,606</u>	<u>36,606</u>
	55,778	55,129
Accumulated depreciation and amortization	<u>(52,816)</u>	<u>(51,787)</u>
Property and equipment, net	<u>\$ 2,962</u>	<u>\$ 3,342</u>

Depreciation and amortization expense for the years ended at December 31, 2018 and 2017, totaled and \$1,029 and \$979, respectively.

4. NET ASSETS

*Net Assets/(Deficit) without Donor-Restrictions:*

The Foundation's total net assets/(deficit) without donor-restrictions as of August 31, 2018 and 2017, was \$842,364 and \$(284,960), respectively, which was available to support the Foundation's programs and activities.

*Net Assets with Donor-Restrictions:*

At December 31, 2018 and 2017, the total net assets with donor-restrictions in terms of the timing and the purpose of their use were \$3,994,387 and \$1,786,555, respectively. The following table identifies the compositions of net assets with donor-restrictions as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Multi-Year School Fund	\$ 2,298,040	\$ 1,016,160
Arogya Foundation	3,000	-
Funds of Tribal Society (FTS)	16,757	25,000
Health Foundation for Rural Areas	33,500	-
Life Time School (LTS)	110,005	90,000
Gramothan Resource Center (GRC)	-	1,000
Special Projects	1,376,103	604,395
Special Projects - TBD	140,002	-
Ekal on Wheel	<u>-</u>	<u>50,000</u>
Total Funds with Donor-Restrictions	<u>\$ 3,977,407</u>	<u>\$ 1,786,555</u>

# EKAL VIDYALAYA FOUNDATION OF USA, INC.

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

### 5. METHODS USED FOR ALLOCATION OF EXPENSES TO THE BENEFITTED PROGRAM OR SUPPORT 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. Fundraising and management and general activities are considered the supporting activities – i.e., activities performed to support the Foundation's program services. 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; and
- ≈ Travel and lodging expenses are allocated on the ratio of management's estimate of the percentage of travels for the different functions.

### 6. LIQUIDITY MANAGEMENT

The Foundation has \$823,123 of financial assets available within one year of the latest balance sheet date to meet cash needs for general expenditures, consisting of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,792,287	\$ 1,448,037
Certificates of deposit	976,903	50,132
Stocks	31,457	1,034
Account receivable	<u>24,142</u>	<u>3,065</u>
Total financial assets at year end	4,824,789	1,502,268
Less: Funds held for donor-restricted purposes	(3,994,387)	(1,786,555)
Accounts payable and accrued liabilities	<u>(7,279)</u>	<u>(24,277)</u>
Financial assets/(deficit) available to meet cash needs for general expenditures within one year	<u>\$ 823,123</u>	<u>\$ (308,564)</u>

## EKAL VIDYALAYA FOUNDATION OF USA, INC.

### NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

#### 7. CONCENTRATION OF CREDIT RISKS

Financial instruments that are subject to concentrations of custodial 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 bank. As of December 31, 2018 and 2017, the Foundation's cash balances with financial institutions exceeded the FDIC insured limit by approximately \$2,676,651 and \$137,614, 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 2018 or 2017.

The Foundation invested in marketable securities, including certificates of deposit and stocks. These investments valued at \$1,008,360 and \$51,166, excluding cash components, at December 31, 2018 and 2017, respectively, were held by a U.S. investment company. The Securities Investor Protection Corporation ("SIPC") insures each investor against 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 a cash balance of approximately \$976,810 and \$469,368 as of December 31, 2018 and 2017, respectively, with the investment company, which exceeded the SIPC's \$250,000 protection sublimit for claims of cash by approximately \$726,810 and \$219,368, respectively. These unsecured cash amounts were not otherwise insured as of those dates.

#### 8. SUBSEQUENT EVENTS

Management evaluated events subsequent to December 31, 2018 through June 11, 2019, 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.