

ASHA FOR EDUCATION

Independent Auditor's Report
and Financial Statements

Year Ended December 31, 2016

**ASHA FOR EDUCATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Asha for Education
Walnut, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Asha for Education (a non-profit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 auditor considers 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asha for Education as of December 31, 2016, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Fritzsche Associates, Inc.

Certified Public Accountants

Sacramento, CA

May 10, 2017

**ASHA FOR EDUCATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

Assets

Cash and equivalents	\$ 4,684,472
Investments	3,358,066
Contributions receivable	274,726
Other receivable	<u>15,126</u>
Total assets	<u><u>\$ 8,332,390</u></u>

Liabilities and Net Assets

Accounts payable	<u>\$ 45,778</u>
Total liabilities	<u>45,778</u>
Net assets:	
Unrestricted	7,824,977
Temporarily restricted	<u>461,635</u>
Total net assets	<u>8,286,612</u>
Total liabilities and net assets	<u><u>\$ 8,332,390</u></u>

The accompanying notes are an integral part of these financial statements.

**ASHA FOR EDUCATION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Contributions	\$ 2,158,499	\$ 496,791	\$ 2,655,290
Donated services	173,116	-	173,116
Special event revenue	378,306	-	378,306
Less: cost of benefits to donors	(165,544)	-	(165,544)
Interest income	74,949	-	74,949
Realized/unrealized loss on investments	(18,924)	-	(18,924)
Net assets released from restrictions	<u>430,078</u>	<u>(430,078)</u>	<u>-</u>
 Total support and revenues	 <u>3,030,480</u>	 <u>66,713</u>	 <u>3,097,193</u>
 Expenses:			
Program services	3,755,087	-	3,755,087
Management and general	223,767	-	223,767
Fundraising	<u>99,568</u>	<u>-</u>	<u>99,568</u>
 Total expenses	 <u>4,078,422</u>	 <u>-</u>	 <u>4,078,422</u>
 Change in net assets	 (1,047,942)	 66,713	 (981,229)
Net assets, beginning of year	<u>8,872,919</u>	<u>394,922</u>	<u>9,267,841</u>
Net assets, end of year	<u>\$ 7,824,977</u>	<u>\$ 461,635</u>	<u>\$ 8,286,612</u>

The accompanying notes are an integral part of these financial statements.

**ASHA FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management and General	Fundraising	Total Expenses
Project disbursements	\$ 3,755,087	-	-	\$ 3,755,087
Accounting and audit fees	-	\$ 32,600	-	32,600
Administrative expenses	-	13,796	-	13,796
Advertising	-	-	\$ 1,612	1,612
Bank charges	-	22,012	-	22,012
Credit card processing fees	-	-	36,500	36,500
Donated services	-	147,149	25,967	173,116
Equipment rental	-	-	998	998
Insurance	-	5,878	-	5,878
Postage and shipping	-	1,386	-	1,386
Printing and publications	-	-	115	115
TA expenses	-	-	34,376	34,376
Website	-	946	-	946
Total expenses	<u>\$ 3,755,087</u>	<u>\$ 223,767</u>	<u>\$ 99,568</u>	<u>\$ 4,078,422</u>

The accompanying notes are an integral part of these financial statements.

**ASHA FOR EDUCATION
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2016**

Cash flows from operating activities:	
Change in net assets	\$ (981,229)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized loss on investments	18,924
Increase in accounts receivable	(30,847)
Increase in other receivable	(15,126)
Increase in accounts payable	<u>38,198</u>
Net cash used in operating activities	<u>(970,080)</u>
 Cash flows from investing activities:	
Proceeds from sales of investment securities	562,356
Purchases of investment securities	<u>(1,776,151)</u>
Net cash used in investing activities	<u>(1,213,795)</u>
 Net decrease in cash	(2,183,875)
 Cash and equivalents, beginning of year	<u>6,868,347</u>
 Cash and equivalents, end of year	<u><u>\$ 4,684,472</u></u>

The accompanying notes are an integral part of these financial statements.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE A – NATURE OF ORGANIZATION AND PROGRAM SERVICES

Asha for Education ("Asha") is a secular organization dedicated to change in India by focusing on basic education in the belief that education is a critical requisite for socio-economic change. Asha's focus on children's education has galvanized a number of volunteers across the globe. Today, there are 52 Asha chapters worldwide: 41 in the United States, 4 in India, 6 in Europe and 1 in Canada.

Volunteers in each of these chapters take personal interest in identifying education-related projects in India, and supporting them through funds and other means.

As part of the Asha charter, all Asha chapters have a high degree of freedom in their activities including the identification, research, support and ownership of projects. However, there is also a good deal of co-operation among chapters and volunteers across chapters. This co-operation is evident in the joint ownership of projects across chapters, formation of focus groups across chapters, cross-chapter discussion on issues of interest, worldwide events like the Asha-Wide Conference, Work-An-Hour, and the Asha India Conference.

In keeping with this focus, Asha's volunteers are involved with and support projects in India that are secular and have an education-related component to them. Their objectives are:

1. To provide education to underprivileged children in India.
2. To encourage the formations of various local groups across the world to reach out to larger sections of the population.
3. To support and cooperate with persons and groups already engaged in similar activities.
4. To raise the required human and other resources to achieve the group objectives.
5. To provide opportunities to individuals living outside India who wish to participate in Asha activities in India.
6. To address, whenever possible, other issues affecting human life such as health care, the environment, socio-economic aspects and women's issues.

Asha's financial statements include the accounts of Asha and its chapters located in the United States of America. Other international affiliates are located in Canada, Europe and India. The financial statements of those organizations are not included in the accompanying financial statements since Asha does not exercise control over the management and operations of those international affiliates.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Thus, revenues are reported in the year earned rather than when collected, and expenses are reported in the year incurred rather than when paid. The organization reports information regarding financial position and activities according to three classes of net assets: unrestricted net asset, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

Permanently restricted net assets – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors. There were no permanently restricted net assets at December 31, 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Contributions

Contributions are recognized when a promise to give is made or the cash is received, whichever is earlier. Contributions of assets other than cash are recorded at estimated fair value at the date of gift. Asha reports gifts of cash and other assets as temporarily restricted support if they are received with explicit or implicit donor stipulations limiting the use of the assets to a specific project. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Contributions that are made by non-participants in connection with fundraising events (i.e. marathons) are included in the contributions line item on the statement of activities and not as revenue of the fundraising event.

Revenue Recognition

Revenue from special events is recognized when the events are held.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing the program services and supporting services have been summarized on a functional basis in the statement activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services based on estimates of the usage of resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reported period. Actual results could differ from those estimates.

Income Tax Status

Asha is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California code sections. Asha is considered a public charity and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Management of Asha has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist.

Investments

Investments are stated at fair value. Investment income is reported net of related investment expenses.

Investment Risk

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the accompanying financial statements.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid certificates of deposit with original or remaining maturities of three months or less at the time of purchase.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give that are recorded as revenues and contribution receivable when the promises are made. All of the contributions receivable at December 31, 2016 are due within one year and are considered fully collectible by management. Accordingly, no allowance for uncollectible amounts has been established.

Contributions receivable are comprised of the following at December 31, 2016:

Unconditional promises to give	\$ <u>274,726</u>
Total contributions receivable	\$ <u>274,726</u>

NOTE D – INVESTMENTS

In accordance with generally accepted accounting principles, Asha uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE D – INVESTMENTS (continued)

Investments are reported at fair value and consist of the following at December 31, 2016:

	Total	Level 1	Level 2	Level 3
Equities	\$ 2,235	\$ 2,235	\$ --	\$ --
Corporate bonds	<u>104,037</u>	<u>--</u>	<u>104,037</u>	<u>--</u>
Investments carried at fair value	106,272	<u>\$ 2,235</u>	<u>\$ 104,037</u>	<u>\$ --</u>
Certificates of deposit*	<u>3,251,794</u>			
Total investments	<u>\$ 3,358,066</u>			

* Certificates of deposit included in the investment portfolio are not subject to provisions of fair value measurements as they do not meet the FASB definition of a security.

Investment income and losses consists of the following for the year ended December 31, 2016:

Interest and dividends	\$ 74,949
Net realized and unrealized losses	<u>(18,924)</u>
Total investment income and losses	<u>\$ 56,025</u>

NOTE E – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Asha to concentrations of credit risk consist of cash deposits, certificates of deposit and investments. Cash balances and certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. As of December 31, 2016, there were combined cash deposits of \$4,104,759 in excess of FDIC limits. Investments are subject to a formal investment policy, which provides for diversification and oversight. Balances in investment accounts are insured up to \$500,000, including a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). As of June 30, 2016, there were no balances in excess of SIPC limits. Management believes that Asha is not exposed to any significant credit risk related to cash, certificates of deposit and investments.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE F – FAIR VALUE MEASUREMENTS

The estimated fair values of Asha’s short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

NOTE G – DONATED SERVICES AND FACILITIES

All management services provided to Asha are donated. Contributed services are recognized by Asha if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Asha estimates the fair value of such services to be \$173,116.

Additionally, Asha receives a significant amount of contributed time from volunteers that does not meet the two recognition criteria described above. Accordingly, the value of these contributed services is not reflected in the accompanying financial statements. Asha estimates that approximately 5,000 volunteer hours were donated for the chapters, fundraising and site visits and grant making. The purpose for Asha could not be fulfilled without the significant contributions of volunteer time, which is not reflected in the accompanying financial statements.

NOTE H – RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Time restricted contributions receivable	\$ 274,726
Restricted to projects	<u>186,909</u>
Total temporarily restricted net assets	<u>\$ 461,635</u>

NOTE I – SUBSEQUENT EVENTS

The management of Asha has reviewed the results of operations for the period of time from its year end December 31, 2016 through May 10, 2017, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.