

ASHA FOR EDUCATION

Independent Auditor's Report
and Financial Statements

Year Ended December 31, 2013

**ASHA FOR EDUCATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Asha for Education
New York, NY

We have audited the accompanying financial statements of Asha for Education (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2013, and the related statements of support, revenues, expenses and changes in net assets—modified cash basis, and functional expenses—modified cash basis 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 of 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 qualified audit opinion.

Basis for Qualified Opinion

Inconsistent accounting controls were exercised over the classification of net assets into unrestricted and temporarily restricted net assets, and the collection of cash and checks at the chapter level, prior to the initial entry of such amounts into the accounting records. We were unable to obtain sufficient appropriate audit evidence about those amounts recognized as restricted net assets and support by Asha for Education for the year ended December 31, 2013. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Asha for Education as of December 31, 2013, and its support, revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Fritzsche Associates, Inc.

Certified Public Accountant
Sacramento, CA
June 14, 2015

ASHA FOR EDUCATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2013

Assets

Cash and equivalents	\$ 5,670,224
Certificates of deposit	3,176,057
Investments	<u>372,162</u>
 Total assets	 <u><u>\$ 9,218,443</u></u>

Liabilities and Net Assets

Liabilities	<u>\$ -</u>
Net assets:	
Unrestricted	9,124,290
Temporarily restricted	<u>94,153</u>
 Total net assets	 <u>9,218,443</u>
 Total liabilities and net assets	 <u><u>\$ 9,218,443</u></u>

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

ASHA FOR EDUCATION
STATEMENT OF SUPPORT, REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contributions	\$ 2,358,892	\$ 499,005	\$ 2,857,897
Special event revenue	576,103	-	576,103
Less: cost of benefits to donors	(256,213)	-	(256,213)
Merchandise sales	3,223	-	3,223
Interest income	49,658	-	49,658
Investment income	3,943	-	3,943
Net assets released from restrictions	<u>453,315</u>	<u>(453,315)</u>	<u>-</u>
 Total support and revenues	 <u>3,188,921</u>	 <u>45,690</u>	 <u>3,234,611</u>
 Expenses:			
Program services	2,560,034	-	2,560,034
Management and general	47,062	-	47,062
Fundraising	<u>28,893</u>	<u>-</u>	<u>28,893</u>
 Total expenses	 <u>2,635,989</u>	 <u>-</u>	 <u>2,635,989</u>
 Change in net assets	 552,932	 45,690	 598,622
 Net assets, beginning of year	 <u>8,571,358</u>	 <u>48,463</u>	 <u>8,619,821</u>
 Net assets, end of year	 <u>\$ 9,124,290</u>	 <u>\$ 94,153</u>	 <u>\$ 9,218,443</u>

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

ASHA FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2013

	Program Services	Management and General	Fundraising	Total Expenses
Project disbursements	\$ 2,560,034	-	-	\$ 2,560,034
Accounting fees	-	\$ 33,298	-	33,298
Administrative expenses	-	2,678	-	2,678
Advertising	-	-	\$ 1,270	1,270
Bank charges	-	7,871	-	7,871
Credit card processing fees	-	-	25,304	25,304
Equipment rental	-	-	1,481	1,481
Merchandise	-	-	384	384
Post office box fees	-	90	-	90
Postage and shipping	-	2,976	-	2,976
Printing and publications	-	-	454	454
Travel	-	149	-	149
Totals	<u>\$ 2,560,034</u>	<u>\$ 47,062</u>	<u>\$ 28,893</u>	<u>\$ 2,635,989</u>

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

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 57 Asha chapters worldwide: 38 in the United States, 12 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, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that—

- Contributions and support are recognized when received, not when Asha is notified it is the recipient of an unconditional promise to give or awarded funding under a grant program.
- Non-cash contributions for management services and use of facilities are not recorded.
- Payments to vendors, suppliers, and employees are generally recognized when paid instead of when goods or services are received.

Financial Statement Presentation

Asha 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 explicit or implicit donor-imposed stipulations that may or will be met either by actions of Asha 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. Asha had no permanently restricted net assets at December 31, 2013.

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.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when received. 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 support, revenues, expenses and changes in net assets, and not as revenue of the fundraising event.

Expense Allocation

The costs of providing the program services and supporting services have been summarized on a functional basis in the statement of support, revenues, expenses and changes in net assets – modified cash basis and in the statement of functional expenses – modified cash basis. 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 the modified cash basis of accounting 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. With few exceptions, Asha is no longer subject to income tax examinations by federal authorities for years before 2010 and state authorities for years before 2009.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value. Unrealized and realized gains and losses are included in interest and investment income reported on the statements of activities. 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.

NOTE B – INVESTMENTS

Investments are comprised of the following at June 30, 2013:

Corporate bonds	\$ 366,750
Equities	<u>5,412</u>
Total investments	<u>\$ 372,162</u>

Investment income and losses consists of the following:

Interest and dividends	\$ 8,855
Net realized and unrealized losses	<u>(4,912)</u>
Total investment income and losses	<u>\$ 3,943</u>

NOTE C – DONATED SERVICES AND FACILITIES

Essentially all of Asha's human resource needs are undertaken by volunteers. Asha received over 5,000 hours of contributed professional management services during the year ended December 31, 2013. Asha has also received donated services from a variety of other unpaid volunteers assisting in, committee activities, chapters, fundraising and other program services.

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

NOTE D – FAIR VALUE MEASUREMENTS

Asha follows the FASB Accounting Standards Codification No. 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, Asha performs an analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurements are based on significant unobservable inputs are classified as Level 3.

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.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy. Fair values of assets measured on a recurring basis at December 31, 2013 are as follows:

	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 366,750	\$ --	\$ 366,750	\$ --
Equities	<u>5,412</u>	<u>5,412</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 372,162</u>	<u>\$ 5,412</u>	<u>\$ 366,750</u>	<u>\$ --</u>

**ASHA FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

NOTE E – CONCENTRATIONS OF CREDIT RISK

Asha maintains a majority of its cash in bank deposit accounts that, at times, may exceed federally insured limits. Asha has not experienced any losses in such accounts. Management believes Asha is not exposed to any significant credit risk related to cash.

NOTE F – RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

Restricted to projects	\$ <u>94,153</u>
Total temporarily restricted net assets	\$ <u><u>94,153</u></u>

NOTE G – CONTINGENCIES

Asha is delinquent in registering as a charity and/or filing annual financial forms in numerous States in which it solicits charitable contributions. Each of these States has statues that may levy fines and penalties for failing to register and file annual financial reports. Management is in the process of correcting these deficiencies. The total amount of fines and penalties that might be levied cannot be determined at this time, but may be material to the financial statements taken as a whole.

NOTE H – SUBSEQUENT EVENTS

The management of Asha has reviewed the results of operations for the period of time from its year end December 31, 2013 through June 14, 2015, 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.



Re: Management's Action Plan for Audit Findings for Year Ended December 31, 2013

Asha for Education's ("Asha") central ("Asha-wide") coordination team ("We") has reviewed the Independent Auditor's Report published by Fritzche Associates, Inc ("the auditor") for the fiscal year ended December 31, 2013 and established an action plan for to remediate the findings.

The auditor noted that he was unable to obtain sufficient appropriate evidence about the amounts recognized as restricted net assets because of the lack of independent external audits in prior years (2011 and earlier). We would like to note that this is the second year in Asha's existence that we have been required to have an independent audit. We are committed to consistently having an external audit performed each year going forward.

The auditor noted that the donation collection procedures at the chapter level were decentralized and operated by volunteers, leading to inconsistent accounting controls being exercised over the collection of cash and checks at the chapter level, prior to the initial entry of such amounts into the accounting records. We have taken the following actions to remediate these finding:

- a. As of September 2014, all check donations across chapters are being received via a Wells Fargo Lockbox, which minimizes volunteer responsibilities. Checks that continue to come to local chapters are be tracked by the Asha-wide Treasury team to markedly bring them down to zero.
- b. We are currently in the process of deploying an electronic solution to all active chapters to encourage the minimization of cash transactions.
- c. Chapter treasurers are being advised of all the process revisions and policies and procedures documents will be updated.

We request our donors and supporters to help us by sending your regular donation checks directly to the address on our website (Asha for Education - <optional chapter name>, PO Box 398080, San Francisco, CA 94139-8080) and NOT to any chapter PO Box or our NY PO Box.

The auditor has noted that Asha is delinquent in registering as a charity and/or filing annual financial forms in numerous States in which it solicits charitable contributions. We would like to note that non-compliance in a vast majority of the States is as a result of State requirements related to obtaining an independent audit opinion on Asha's financial statements. We are in the process of correcting these deficiencies. Once the results of the independent audit for both 2013 and 2014 are issued by the auditor, the following actions will be taken to address the findings:

- a. A pre-identified professional firm will be engaged to assist with State registrations.
- b. The Asha-wide Secretary and Treasury teams will perform on-going monitoring to ensure that Asha stays compliant with laws and regulations through the timely submission of required reports.

Lastly, we would also like to note that we are currently in the process of changing Asha's basis of accounting from a modified cash basis to the accrual basis, in accordance with accounting principles generally accepted in the United States.

We remain committed to advancing the mission of Asha while providing the utmost of transparency to our donors. We look forward to sharing updates about our progress with you as we continue implementing the above process changes.

Sincerely,

Pradeep Jayaraman, President

Uttaraa Diwan, Treasurer