

SHADHIKA PROJECT, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

SHADHIKA PROJECT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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May 19, 2022

Independent Auditors' Report

Board of Directors
Shadhika Project, Inc.
Denver, Colorado

Opinion

We have audited the accompanying financial statements of **Shadhika Project, Inc.** (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Shadhika Project, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United State 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 Shadhika Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Shadhika Project, Inc.'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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Shadhika Project, Inc.'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 Shadhika Project, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Shadhika Project, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

SHADHIKA PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 636,130	\$ 360,849
Certificates of deposit	-	132,417
Contributions receivable	6,688	15,131
Prepaid expenses and deposit	13,611	12,522
Promises to give, net (Note 3)	164,545	123,725
Investments (Note 4)	30,873	-
Total assets	<u>\$ 851,847</u>	<u>\$ 644,644</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 8,922	\$ 7,760
Accrued payroll liabilities	8,951	2,049
Paycheck Protection Program loan (Note 5)	-	30,900
Total liabilities	<u>17,873</u>	<u>40,709</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	694,646	446,774
Board designated reserves (Note 6)	82,212	82,212
	<u>776,858</u>	<u>528,986</u>
With donor restrictions (Note 7)	<u>57,116</u>	<u>74,949</u>
Total net assets	<u>833,974</u>	<u>603,935</u>
Total liabilities and net assets	<u>\$ 851,847</u>	<u>\$ 644,644</u>

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>Revenue and other support</u>				
Contributions	\$ 411,428	\$ 294,747	\$ 706,175	\$ 389,315
Special events, revenue	57,764	18,510	76,274	6,904
Less: direct expenses	(1,776)	-	(1,776)	(1,775)
Paycheck Protection Program loan forgiveness (Note 5)	69,984	-	69,984	-
Interest and investment income	1,734	-	1,734	2,126
Other	294	-	294	240
In-kind contributions (Note 8)	1,800	-	1,800	750
Net assets released from restrictions (Note 9)	331,090	(331,090)	-	-
Total revenue and other support	<u>872,318</u>	<u>(17,833)</u>	<u>854,485</u>	<u>397,560</u>
<u>Expense</u>				
Program services	437,986	-	437,986	397,512
Supporting services				
Management and general	85,419	-	85,419	44,668
Fund-raising	101,041	-	101,041	70,666
Total expense	<u>624,446</u>	<u>-</u>	<u>624,446</u>	<u>512,846</u>
Change in net assets	247,872	(17,833)	230,039	(115,286)
Net assets, beginning of year	<u>528,986</u>	<u>74,949</u>	<u>603,935</u>	<u>719,221</u>
Net assets, end of year	<u>\$ 776,858</u>	<u>\$ 57,116</u>	<u>\$ 833,974</u>	<u>\$ 603,935</u>

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020	
	Supporting Services				
	Program Services	Management and General	Fund- raising	Total	Total
Salaries	\$ 90,722	\$ 38,001	\$ 60,876	\$ 189,599	\$ 175,976
Payroll taxes and benefits	10,626	5,766	8,932	25,324	22,821
Grants	259,986	-	-	259,986	171,676
Accounting and auditing	-	27,436	-	27,436	17,535
Program contract services	23,328	-	1,829	25,157	25,819
Bad debts	-	-	19,000	19,000	10,900
Marketing and communications	18,081	174	69	18,324	2,101
Professional fees	6,817	3,011	2,522	12,350	750
Rent	7,601	1,740	1,964	11,305	12,468
Technology	5,030	1,983	1,110	8,123	10,840
Travel and meals	3,004	2,576	1,542	7,122	22,667
Bank fees	4,831	1,039	848	6,718	5,603
Contract services	3,964	187	2,024	6,175	27,198
Grantee conference	1,883	-	-	1,883	223
Special events expense	-	-	1,776	1,776	1,775
Printing	176	1,411	46	1,633	264
Insurance	1,004	74	84	1,162	2,344
Supplies	110	943	23	1,076	1,089
Dues and subscriptions	566	100	94	760	710
Registrations and licenses	15	683	-	698	1,010
Postage	235	271	74	580	852
Employee expenses	7	24	4	35	-
Total expenses	437,986	85,419	102,817	626,222	514,621
Expenses netted against revenue:					
Special events expenses	-	-	(1,776)	(1,776)	(1,775)
	\$ 437,986	\$ 85,419	\$ 101,041	\$ 624,446	\$ 512,846

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 230,039	\$ (115,286)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Paycheck Protection Program loan forgiveness	(69,984)	-
Change in value of investments	(873)	-
Reinvested interest on short term investments	(180)	(1,405)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	8,443	16,530
(Increase)decrease in prepaid expenses and deposit	(1,089)	9,014
(Increase)decrease in promises to give	(40,820)	84,932
Increase(decrease) in accounts payable	1,162	6,358
Increase(decrease) in accrued payroll liabilities	6,902	(1,338)
Net cash provided(used) by operating activities	<u>133,600</u>	<u>(1,195)</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(30,000)	-
Purchases of certificates of deposit	-	(20,000)
Maturities of certificates of deposit	132,597	45,176
Net cash provided(used) by investing activities	<u>102,597</u>	<u>25,176</u>
<u>Cash flows from financing activities</u>		
Proceeds from Paycheck Protection Program loan	<u>39,084</u>	<u>30,900</u>
Net increase(decrease) in cash and cash equivalents	275,281	54,881
Cash and cash equivalents, beginning of year	<u>360,849</u>	<u>305,968</u>
Cash and cash equivalents, end of year	<u>\$ 636,130</u>	<u>\$ 360,849</u>

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - NATURE OF ACTIVITIES

Shadhika Project Inc. (the Organization or Shadhika) is a nonprofit corporation incorporated in California in 1993. Shadhika believes in a future where each young person in India can choose their own path to meaning, purpose, and happiness. This vision can only be fully realized when a person's gender identity is seen as an asset in their community and the world at large, and their unique contributions are embraced.

Shadhika intends to abate gender-based discrimination and violence in the social systems surrounding each person by focusing on three core areas of intervention: 1) Shadhika provides long-term program support grants to local women-led organizations in India. With the local accompaniment by our partners and the financial support of comprehensive education funds, each young woman can build self-confidence, acquire the tools, and achieve the financial independence necessary to control their own bodies and determine their own goals; 2) Shadhika provides multi-year, unrestricted funding to give grassroots leaders the security, the time, and the resources to identify determining factors of vulnerability and incubate community-centric, sustainable solutions; and 3) Shadhika funds initiatives that engage men and boys—and other power holders—to champion gender justice and recalibrate power structures in their own communities. Shadhika also supports convenings for its partners, Scholars and Alum, and its Advisory Council to learn and co-create together, ensuring local voices are central to effecting change in India.

In order to conduct these activities, Shadhika is structured to have its management and fundraising staff in the U.S. while the majority of its program staff are based in India. Because of the difference in living costs between the two countries, the personnel expenses dedicated to management and fundraising are higher than the personnel expenses dedicated to programs despite the fact that the majority staff time across the organization is spent on program-related activities.

In 2021, Shadhika addressed internal and external challenges head on, allocating more time and mobilizing more resources to 1) increased fundraising and donor stewardship activities in order to respond adequately to the need for more Scholarship grants and rapid emergency response grants during the deadly second coronavirus wave in India; and 2) the recruitment of new board directors and the strengthening of Shadhika's governance processes and culture so the board is equipped to steward the mission of the organization strategically and expertly during these unprecedented times. The increased investment of time and resources to raising funds and ensure the financial health of the organization was critical to navigate the economic uncertainty related to the ongoing pandemic.

The Organization is funded primarily by individual contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. At year-end, the organization had no such assets.

5. Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair value in the statements of financial position, and changes in fair value are reported in investment income in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization's investments consisting of shares of publicly traded corporations and a mutual fund are defined as Level 1 assets as described below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets as of the measurement date.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

9. Functional Reporting of Expenses

For the year ended December 31, 2021, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to program services or a supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated include salaries and payroll taxes which are allocated based on time and effort. Other expenses have been allocated based upon estimates of time and effort or usage.

10. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through May 19, 2022, the date the financial statements were available to be issued.

NOTE 3 - PROMISES TO GIVE

The Organization has received various promises to give. Management does not believe a present value discount would be significant to these statements.

The contributions are anticipated to be collected in the following years:

<u>Year</u>	<u>Amount</u>
2022	\$ 100,945
2023	62,300
2024	9,800
2025	<u>1,500</u>
Total	174,545
Allowance for uncollectable promises to give	<u>(10,000)</u>
Promises to give, net	<u>\$ 164,545</u>

NOTE 4 - INVESTMENTS

Investments are stated at the quoted market price (Level 1 inputs) and consists of an S&P 500 exchange traded fund. The Organization recognized unrealized gains of \$1,198 on the exchange traded fund during the year. The Organization also earned \$180 of interest income on its cash accounts and certificates of deposit held during the year.

NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization received a \$30,900 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The Organization submitted a loan forgiveness application and received notification in January 2021 of the approval by the SBA for complete forgiveness of the loan.

In March 2021, the Organization received a second draw in the amount of \$39,084 loan under the PPP. The Organization submitted a loan forgiveness application for this draw and received notification of complete forgiveness in September 2021.

NOTE 6 - BOARD DESIGNATED RESERVES

The Organization has established two board designated reserves of \$2,212 and \$80,000 for the purposes of sustaining the Organization and to provide operating reserves, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Degree College and Vocational Scholarships	\$ 55,998
COVID – 19 Basic Needs Assistance	<u>1,118</u>
Total	<u>\$ 57,116</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

Volunteer services requiring specialized skills are reflected in the accompanying statements at their estimated values at date of receipt. During the year, the Organization received in-kind Salesforce consulting services in the amount of \$1,800.

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization pays for most services requiring professional level skills. Volunteers donated approximately 1,578 hours of non-professional level service during the year,

NOTE 9 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or donor release of restrictions, in the following amounts:

<u>Description</u>	<u>Amount</u>
Degree College and Vocational Scholarships	\$ 141,569
Supports for Success	58,136
Men for Gender Equality	40,000
Girls' Writes	30,107
COVID 19 – Basic Needs Assistance	27,487
RKM Computer Fund	14,095
Climate Change	10,889
Leaders for Change Summit	<u>8,807</u>
Total	<u>\$ 331,090</u>

During the year, the remaining balances in the RKM Computer Fund (\$14,083) and Girls' Writes (\$10,636) restricted funds were transferred to the Degree College and Vocational Scholarships and Supports for Success funds, respectively.

NOTE 10 - CONCENTRATION OF CREDIT RISK

The Organization has cash held primarily with one financial institution. Amounts in excess of \$250,000 are not insured by the FDIC or related entity. At year-end, the Organization's checking and savings account balances in one institution was approximately \$599,000. Management has evaluated its banking needs and the strength of the financial institutions and believes that it is in the best long-term interest of the Organization to continue its existing relationships.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general expenditures within one year on December 31, 2021:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 636,130
Contributions receivable	6,688
Promises to give	<u>164,545</u>
	<u>807,363</u>
Less amounts not available to be used within one year:	
Promises to give	(73,600)
Board designated reserves	<u>(82,212)</u>
	<u>(155,812)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 651,551</u>

The Organization has certain donor-restricted assets which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets available to meet general expenditures within one year.

The Organization's board of directors designated \$82,212 to be used to sustain the Organization and to provide operating reserves. Because of the board of director's designation, the \$82,212 is not available for general operating expenditures within the next year, however, the board of directors could make them available, if necessary. The Organization's goal is to maintain financial assets to meet at least three months of anticipated general operating expenditures (approximately \$140,000).

NOTE 12 - LEASE COMMITMENTS

The Organization leases office space in Denver, Colorado. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	<u>\$ 8,370</u>