

SHADHIKA PROJECT, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

SHADHIKA PROJECT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

May 3, 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors
Shadhika Project, Inc.
Denver, Colorado

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, 2019, 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.

Auditors' 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 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 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 audit opinion.

Opinion

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Shadhika Project, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 305,968	\$ 375,294
Short-term investments	156,188	100,311
Donations receivable	31,661	7,924
Pledges and grant receivable (Note 3)	208,657	127,194
Prepaid expenses and deposit	21,536	13,234
Total assets	\$ 724,010	\$ 623,957
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 1,402	\$ 2,918
Accrued payroll liabilities	3,387	5,444
Commitments (Note 4)		
Total liabilities	4,789	8,362
<u>Net assets</u>		
Without donor restrictions		
Undesignated	406,761	349,055
Board designated reserves (Note 5)	82,212	62,212
With donor restrictions (Note 6)	230,248	204,328
Total net assets	719,221	615,595
Total liabilities and net assets	\$ 724,010	\$ 623,957

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>Revenue and other support</u>				
Contributions	\$ 359,023	\$ 208,859	\$ 567,882	\$ 487,352
Special events, revenue	88,182	-	88,182	23,606
Less: direct expenses	(6,661)	-	(6,661)	(11,719)
Interest and investment income(loss)	3,583	-	3,583	(224)
Other	834	-	834	506
In-kind contributions (Note 7)	24,055	-	24,055	5,950
Net assets released from restrictions (Note 8)	182,939	(182,939)	-	-
Total revenue and other support	<u>651,955</u>	<u>25,920</u>	<u>677,875</u>	<u>505,471</u>
<u>Expense</u>				
Program services	463,886	-	463,886	354,780
Supporting services				
Management and general	48,442	-	48,442	49,595
Fund-raising	61,921	-	61,921	26,906
Total expense	<u>574,249</u>	<u>-</u>	<u>574,249</u>	<u>431,281</u>
Change in net assets	77,706	25,920	103,626	74,190
Net assets, beginning of year	<u>411,267</u>	<u>204,328</u>	<u>615,595</u>	<u>541,405</u>
Net assets, end of year	<u>\$ 488,973</u>	<u>\$ 230,248</u>	<u>\$ 719,221</u>	<u>\$ 615,595</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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019				2018
	Supporting Services				
	Program	Management	Fund-	Total	Total
	Services	and	raising		
		General			
Salaries	\$ 110,246	\$ 8,181	\$ 21,216	\$ 139,643	\$ 126,935
Payroll taxes and benefits	11,641	864	2,240	14,745	14,676
Grants	199,817	-	-	199,817	170,864
Marketing and communications	45,506	15,081	679	61,266	5,640
Travel and meals	29,490	2,336	5,530	37,356	34,547
Grantee conference	21,936	-	-	21,936	10,251
Program contract services	21,369	-	-	21,369	12,222
Contract services	-	5,000	15,523	20,523	4,464
Accounting and auditing	-	12,815	-	12,815	12,721
Rent	9,365	585	1,756	11,706	10,035
Technology	4,350	272	5,927	10,549	7,528
Bank fees	200	-	7,228	7,428	6,146
Printing	3,111	195	584	3,890	2,795
Supplies	1,846	115	346	2,307	2,012
Insurance	1,543	97	290	1,930	2,354
Postage	1,309	82	245	1,636	1,021
Bad debts	-	1,500	-	1,500	-
Professional fees	-	1,200	-	1,200	1,250
Dues and subscriptions	807	51	152	1,010	452
Employee expenses	371	23	69	463	-
Program materials	256	-	-	256	4,481
Registrations and licenses	143	9	27	179	120
Miscellaneous	580	36	109	725	767
Total	\$ 463,886	\$ 48,442	\$ 61,921	\$ 574,249	\$ 431,281

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 103,626	\$ 74,190
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Donated stock	(3,721)	(20,159)
Realized loss on investments	-	2,031
Reinvested interest on short term investments	(2,916)	(311)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in donations receivable	(23,737)	(725)
(Increase)decrease in pledges and grant receivables	(81,463)	12,621
(Increase)decrease in prepaid expenses and deposit	(8,302)	4,745
Increase(decrease) in accounts payable	(1,516)	2,888
Increase(decrease) in accrued payroll liabilities	(2,057)	1,362
Increase(decrease) in grants payable	-	(8,136)
Net cash provided(used) by operating activities	<u>(20,086)</u>	<u>68,506</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of donated stock	3,721	18,128
Purchases of short-term investments	(52,961)	(100,000)
Net cash provided(used) by operating activities	<u>(49,240)</u>	<u>(81,872)</u>
Net increase(decrease) in cash and cash equivalents	(69,326)	(13,366)
Cash and cash equivalents, beginning of year	<u>375,294</u>	<u>388,660</u>
Cash and cash equivalents, end of year	<u>\$ 305,968</u>	<u>\$ 375,294</u>

The accompanying notes are an integral part of these financial statements

SHADHIKA PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

NOTE 1 - NATURE OF ACTIVITIES

Shadhika Project, Inc. (the Organization) (Shadhika) is a nonprofit corporation incorporated in California in 1993. The Organization addresses gender inequality in India by investing in the education, empowerment and economic self-sufficiency of young women and by teaching young men to respect women and girls. By providing funding and support to women-led, non-profits in India, Shadhika empowers at-risk young women to realize their aspirations for a better future.

The Organization is funded primarily by 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.

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.

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

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. Short-Term Investments

The Organization invests cash in excess of its immediate needs in certificates of deposit which are reported as short-term investments. The certificates of deposit have initial maturities of six months or less. They are reported at cost plus accrued interest which closely approximates fair value.

5. 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.

6. 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.

7. 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.

8. Functional Reporting of Expenses

For the year ended December 31, 2019, 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 and marketing and communication which are allocated based on time and effort. In addition, travel and meals expenses are allocated based upon estimated program or functional category benefited.

9. 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.

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

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, 2018, from which the summarized information was derived.

11. New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standards update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Organization does not believe the application of the provisions of the standards update materially changed the recognition of contributions received during the year.

12. Subsequent Events

Management has evaluated subsequent events through May 3, 2020, the date the financial statements were available to be issued.

NOTE 3 - PLEDGES AND GRANT RECEIVABLE

The Organization has received various pledges and grants for future donations. Management does not believe a present value discount or allowance for uncollectable amounts would be significant to these statements. The pledges and grants are anticipated to be received in the following years:

<u>Year</u>	<u>Amount</u>
2020	\$ 118,557
2021	83,300
2022	4,400
2023	<u>2,400</u>
Total	<u>\$ 208,657</u>

NOTE 4 - LEASE COMMITMENTS

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

<u>Year</u>	<u>Amount</u>
2020	<u>\$ 8,415</u>

NOTE 5 - BOARD DESIGNATED RESERVES

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

NOTE 6 - 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	\$ 100,253
Girls' Writes	41,442
Men for Gender Equality	35,794
Leaders for Change Summit	32,578
Ready for Work	15,000
RKM Computer Fund	3,380
HERstory	<u>1,801</u>
Total	<u>\$ 230,248</u>

NOTE 7 - IN-KIND CONTRIBUTIONS

Volunteer services requiring specialized skills are reflected in the accompanying statements at their estimated values at date of receipt. In-kind contributions are reflected as follows:

<u>Description</u>	<u>Amount</u>
Management services	\$ 11,700
Information technology services	6,405
Airfare	4,750
Legal services	<u>1,200</u>
Total	<u>\$ 24,055</u>

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. However, volunteers donated approximately 994 hours of non-professional level service during 2019.

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Degree College and Vocational Scholarships	\$ 67,521
Men for Gender Equality	29,980
Ready for Work	23,213
Girls' Writes	19,818
Leaders for Change Summit	13,389
STOP India	12,750
11-12 th Grade Scholarships	11,700
RKM Computer Fund	3,282
HERstory	1,199
Jabala	<u>87</u>
Total	<u>\$ 182,939</u>

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization has cash with three financial institutions. 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 \$303,000. 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 10 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general expenditures within one year at December 31, 2019:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 305,968
Short-term investments	156,188
Donations and other receivables	31,661
Pledges and grants receivable	<u>208,657</u>
	<u>702,474</u>
Less amounts not available to be used within one year:	
Pledges receivable	(90,100)
Board designated reserves	<u>(82,212)</u>
	<u>(172,312)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 530,162</u>

NOTE 10 - AVAILABILITY AND LIQUIDITY – (Continued)

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 six months of anticipated general operating expenses (approximately \$175,000).

NOTE 11 - SUBSEQUENT EVENTS

On January 30, 2020 the World Health Organization declared the COVID-19 outbreak a public health emergency and subsequently a pandemic on March 11, 2020. The Organization is currently assessing the potential impact of the COVID-19 pandemic upon the Organization. At this time an estimate of the impact upon the Organization's future financial statements cannot be made.

The Organization submitted a loan application under the Paycheck Protection Program (Program) to cover payroll and benefit costs. On April 22, 2020, the Organization received loan proceeds of approximately \$30,000. The Program provides for loan forgiveness if the Organization is able to meet certain employee retention and salary requirements.