

SEWA INTERNATIONAL INC., USA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020



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SEWA INTERNATIONAL INC., USA

YEARS ENDED December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Sewa International Inc., USA

Auditors' Opinion

We have audited the accompanying financial statements of Sewa International Inc., USA, a State of Georgia nonprofit corporation, (the "Organization"), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Auditors' Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 the Organization'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.

INDEPENDENT AUDITORS' REPORT, *CONTINUATION*

For the years ended December 31, 2021 and 2020

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 the Organization'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 the Organization'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.

Bankole, Okoye & Associates PC

Bankole, Okoye & Associates PC
Houston, Texas
May 13, 2022

Financial Statements

SEWA INTERNATIONAL INC., USA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 19,970,068	\$ 2,438,310
Investments (Note 3)	8,875,671	7,297,146
Accounts receivable	36,534	47,728
Prepaid expenses	36,550	925
Other assets	1,000	1,000
Property and equipment, net (Note 4)	1,103	1,790
TOTAL ASSETS	\$ 28,920,926	\$ 9,786,899
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 145,521	\$ 42,925
Refundable advance (Note 5)	-	77,142
Total liabilities	145,521	120,067
NET ASSETS		
Net assets without donor restrictions:		
<i>Designated by the Board for Endowment</i> (Note 8)	10,132,500	6,763,425
<i>Undesignated</i>	5,720,822	821,455
Total net assets without donor restrictions	15,853,322	7,584,880
Net assets with donor restrictions (Note 7)	12,922,083	2,081,952
Total net assets	28,775,405	9,666,832
TOTAL LIABILITIES AND NET ASSETS	\$ 28,920,926	\$ 9,786,899

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS & OTHER SUPPORTS			
Contributions	\$ 5,719,954	\$ 38,988,862	\$ 44,708,816
Events registration and related revenues	118,325	-	118,325
Inkind revenues	-	668,274	668,274
Return on investments, net (Note 3)	1,576,795	-	1,576,795
Government grant revenue	169,632	-	169,632
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>28,817,005</u>	<u>(28,817,005)</u>	<u>-</u>
Total revenues, gains and other supports	<u>36,401,711</u>	<u>10,840,131</u>	<u>47,241,842</u>
EXPENSES:			
Program services	27,734,771	-	27,734,771
Fundraising	75,940	-	75,940
Management and general	<u>322,558</u>	<u>-</u>	<u>322,558</u>
Total expenses	<u>28,133,269</u>	<u>-</u>	<u>28,133,269</u>
CHANGE IN NET ASSETS	8,268,442	10,840,131	19,108,573
NET ASSETS, BEGINNING OF YEAR	<u>7,584,880</u>	<u>2,081,952</u>	<u>9,666,832</u>
NET ASSETS, END OF YEAR	<u>\$ 15,853,322</u>	<u>\$ 12,922,083</u>	<u>\$ 28,775,405</u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS & OTHER SUPPORTS			
Contributions	\$ 382,037	\$ 4,346,952	\$ 4,728,989
Events registration and related revenues	77,080	-	77,080
Inkind revenues	184,004	-	184,004
Return on investments, net (Note 3)	438,397	-	438,397
Government grant revenue	132,820	-	132,820
Other income	38,189	-	38,189
Net assets released from restrictions upon satisfaction of purpose restrictions	<u>3,672,790</u>	<u>(3,672,790)</u>	<u>-</u>
Total revenues, gains & other supports	<u>4,925,317</u>	<u>674,162</u>	<u>5,599,479</u>
EXPENSES			
Program services	3,833,522	-	3,833,522
Fundraising	76,166	-	76,166
Management and general	<u>146,215</u>	<u>-</u>	<u>146,215</u>
Total expenses	<u>4,055,903</u>	<u>-</u>	<u>4,055,903</u>
CHANGE IN NET ASSETS	869,414	674,162	1,543,576
NET ASSETS, BEGINNING OF YEAR	<u>6,715,466</u>	<u>1,407,790</u>	<u>8,123,256</u>
NET ASSETS, END OF YEAR	<u>\$ 7,584,880</u>	<u>\$ 2,081,952</u>	<u>\$ 9,666,832</u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services			Fundraising Expenses	Management and General Expenses	Total Expenses
	Community Service and Emergency Response	AmeriCorps Program	Total for Program Services			
Charitable Donations (includes inkind of \$354,610)	\$ 16,884,045	\$ -	\$ 16,884,045	\$ -	\$ -	\$ 16,884,045
Donations of Food Items	59,302	-	59,302	-	-	59,302
Materials and Supplies (includes inkind of \$301,244)	8,985,393	1,981	8,987,374	12,256	-	8,999,630
Death & Distress Expenses	29,366	-	29,366	-	-	29,366
Rehabilitation and Rebuilding	9,585	-	9,585	-	-	9,585
Professional Services	215,042	4,493	219,535	24,905	100,908	345,348
Leasing and Rentals (includes inkind of \$9,900)	36,429	-	36,429	1,177	28,832	66,438
Payroll Expenses	268,209	191,201	459,410	-	113,050	572,460
Payroll Taxes	23,571	10,404	33,975	-	6,829	40,804
Contractual and Consulting Services	72,605	37,770	110,375	-	-	110,375
Travels, Lodging and Meals	11,466	1,578	13,044	17,433	1,569	32,046
Artists' Fees and Expenses	-	-	-	5,500	-	5,500
Bank Charges and Service Fees	353,274	-	353,274	2,026	15,647	370,947
Advertising and Promotional Expenses	1,155	3,773	4,928	10,959	28,983	44,870
Printing, Stationery, and Office Expenses	6,679	403	7,082	217	828	8,127
Registration Fees and Expenses	5,801	973	6,774	234	7,111	14,119
Utilities and Telephones (includes inkind of \$2,520)	10,323	-	10,323	-	8,328	18,651
Other Expenses	737	3,791	4,528	-	-	4,528
Insurance	8,674	2,468	11,142	-	3,129	14,271
Repairs and Maintenance	1,610	-	1,610	-	393	2,003
Shipping Charges	485,988	-	485,988	-	24	486,012
Dues & Subscriptions	6,632	50	6,682	1,233	4,585	12,500
Depreciation	-	-	-	-	2,342	2,342
	<u>\$ 27,475,886</u>	<u>\$ 258,885</u>	<u>\$ 27,734,771</u>	<u>\$ 75,940</u>	<u>\$ 322,558</u>	<u>\$ 28,133,269</u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services			Fundraising Expenses	Management and General Expenses	Total Expenses
	Community Service and Emergency Response	AmeriCorp Program	Total for Program Services			
Charitable Donations	\$ 1,757,190	\$ -	\$ 1,757,190	\$ -	\$ -	\$ 1,757,190
Donations of Food Items (includes inkind of \$140,043)	361,162	-	361,162	-	-	361,162
Materials and Supplies (includes inkind of \$17,009)	595,208	3,065	598,273	8,816	95	607,184
Death & Distress Expenses	352,654	-	352,654	-	-	352,654
Rehabilitation and Rebuilding	35,027	-	35,027	-	-	35,027
Professional Services	96,422	35,896	132,318	18,000	12,398	162,716
Leasing and Rentals	60,994	-	60,994	4,118	281	65,393
Payroll Expenses	252,496	77,263	329,759	2,968	70,180	402,907
Payroll Taxes	10,917	5,917	16,834	236	15,116	32,186
Contractual and Consulting Services	68,500	20,525	89,025	-	-	89,025
Travels, Lodging and Meals	1,448	2,917	4,365	7,593	-	11,958
Bank Charges and Service Fees	26,778	14,137	40,915	12,206	5,618	58,739
Advertising and Promotional Expenses	18,936	764	19,700	15,300	15,410	50,410
Printing, Stationery, and Office Expenses	6,358	-	6,358	556	2,202	9,116
Registration Fees and Expenses	1,704	280	1,984	-	1,408	3,392
Utilities and Telephones	6,598	1,079	7,677	-	2,652	10,329
Other Expenses (includes inkind of \$3,553)	1,548	2,534	4,082	5,004	5,480	14,566
Insurance	4,181	1,568	5,749	225	2,645	8,619
Repairs and Maintenance	6,135	-	6,135	-	4,467	10,602
Shipping Charges (includes inkind of \$1,127)	3,321	-	3,321	1,144	-	4,465
Depreciation	-	-	-	-	8,263	8,263
TOTAL EXPENSES	\$ 3,667,577	\$ 165,945	\$ 3,833,522	\$ 76,166	\$ 146,215	\$ 4,055,903

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 19,108,573</u>	<u>\$ 1,543,576</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,342	8,263
Changes in operating assets and liabilities:		
Accounts receivable	11,194	(33,315)
Prepaid expenses	(35,625)	1,785
Other assets	-	4,000
Accounts payable and accrued liabilities	<u>25,454</u>	<u>(2,009)</u>
Total adjustment	<u>3,365</u>	<u>(21,276)</u>
Net cash provided by operating activities	<u>19,111,938</u>	<u>1,522,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(1,578,525)	(330,420)
Purchases of property and equipment	<u>(1,655)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,580,180)</u>	<u>(330,420)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from EIDL and PPP loan programs	-	86,142
Net payment on long-term debt	<u>-</u>	<u>(9,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>77,142</u>
Net increase in cash and cash equivalents	17,531,758	1,269,022
Cash and cash equivalents, beginning of year	<u>2,438,310</u>	<u>1,169,288</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 19,970,068</u></u>	<u><u>\$ 2,438,310</u></u>

The accompanying notes are an integral part of this financial statement.

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Sewa International Inc., USA, (the “Organization”) is a Hindu faith-based, humanitarian, nonprofit service organization incorporated in the State of Georgia on June 13, 2003, whose objective is to serve humanity in distress, aid local communities, and promote volunteerism, all as part of a vision in pursuit of a world of equality where everyone is happy, enjoying good health, and living in harmony with nature. The Organization devotes its resources mostly to disaster relief and rehabilitation and in development projects in the areas of health, education, empowerment, and community development. The Organization is affiliated with ‘Sewa International,’ a larger movement that started in India in 1989 and has currently spread to about 20 countries. Although the Organization and the ‘Sewa International’ movement are founded on similar philosophy and principles, the Organization is legally independent of the ‘Sewa International’ movement. The Organization maintains its own separate Board of Directors, and is independently registered in, and follows the applicable laws and regulations of the United States, as well as designs and operates its own programs.

The Organization is funded primarily through individual and corporate contributions and admission fees from fundraising events.

Basis of Accounting

The Financial Accounting Standards Board (“FASB”) is the designated organization for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities, including nonprofit organizations, in the United States of America.

The Organization prepares its financial activities on the accrual basis of accounting in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America. These financial statements reflect all significant asset and liability balances as of December 31, 2021 and 2020, as well as all revenues earned and expenses incurred by the Organization for the years then ended. 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 title passes to, or a service is received by, the Organization.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with the requirements of FASB’s Accounting Standards Codification (“ASC”) Topic 958-205, *Nonprofit Organizations – Presentation of Financial Statements*, as updated. Net assets, revenues, and expenses are classified based on the existence or absence of donor/externally imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities according to the following two classes of net assets:

1. *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 Organization.

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

2. *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 Organization and/or the passage of time. This class of net assets also includes resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon may be used by the Organization.

The Organization is also required by FASB ASC Topic 958-205 as updated, to present a statement of cash flows and an analysis of its expenses by both functional and natural classifications, as well as to make enhanced disclosures about its liquidity and availability of resources.

Revenue Recognition

In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*, contributions received by the Organization 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 Organization receives any direct cash donation or any unconditional promises to give cash accepted by the Organization. Such contributions received are recorded as net assets without donor-restrictions or net assets with donor-restrictions, depending on the existence and nature of any donor-restrictions. Contributions with donor-restrictions (i.e., when the donors have directed how and when their gifts should be used by the Organization, or when donations are in a direct response to specified purposes for which the Organization is soliciting donations) are reported as increases in net assets with donor-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 Organization's policy to use restricted resources first, then unrestricted resources as they are needed. Contributions of assets other than cash are recorded at their estimated fair value at the date of the contribution.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met or if the promisor lifts the conditions. The Organization did not have any conditional promises to give as of December 31, 2021 or 2020.

Registration fees and ticket sales revenues from fundraising events are recorded when cash is received from registrants or from the sales of the events' tickets.

Other incomes, including interest, dividends and other investment income, as well as miscellaneous revenues, are recognized when received.

Expenses are recorded as decreases in net assets without donor-restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

Donated Services and Materials

In accordance with FASB ASC Topic 958-605-25-2, *Non-for-Profit Entities - Accounting for Contributions Received*, donated services for which the Organization made no payment or compensation are recognized as in-kind contributions at their estimated fair value at the date of receipt if the services received (a) created or enhanced nonfinancial assets or (b) required specialized skills, were performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received many hours of donated services from volunteers helping with the Organization's administrative and program activities. The Organization recorded volunteer hours that totaled \$354,610 and \$0, for the years ended December 31, 2021 and 2020, respectively, which are included in in-kind revenues and program services expenses in the statements of activities.

The Organization also recorded in-kind revenues comprising various consumables and supplies valued at \$301,244 and \$161,743 for the years ended December 31, 2021 and 2020, respectively, which the Organization donated to various communities as part of its COVID-19 relief efforts. Total of \$301,244 and \$157,063 of this were included in program services expenses while \$0 and \$4,680 were included in the fundraising expenses in the statements of activities for the years ended December 31, 2021 and 2020, respectively.

In 2021, the Organization participated in the distribution of certain USDA-donated foods in certain communities within the states of California and Texas. The Organization assisted other entities that had the contract with USDA in getting the foods to the benefitted communities. The Organization has estimated that it handled food distributions of up to 3.5 million pounds valued at \$5.9 million that served estimated 92,000 families. The Organization did not have a contract with USDA but performed these activities as an agent for other nonprofit entities. Accordingly, based on the Organization's interpretations of FASB ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, in-kind revenues were not recorded for these activities.

Donated Use of Facilities

The Organization uses certain facilities for its office space and project sites for which it pays no rent and utility costs. The Organization is not related to the donors of these facilities. The Organization accounts for such contributions at the amounts the Organization would have paid for the facilities under existing lease agreements or based on current market rates to lease the facilities, and in the case of utilities, based on the actual billed amounts. For the years ended December 31, 2021 and 2020, the Organization has recorded a total of \$12,420 and \$22,260, respectively, for donated facilities and utilities, which are included in in-kind revenues and program services expenses in the statements of activities.

Management's Judgment and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the following aspects of the financial statements:

1. The reported amounts of assets and liabilities,

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

2. The disclosure of contingent assets and liabilities at the date of the financial statements, and
3. The reported amounts of revenues and expenses during the reporting period.

Significant estimate included in the financial statements relates primarily to the functional classifications of expenses and the valuation of certain inkind revenues and expenses.

Functional Allocation of Expenses

In accordance with FASB ASC Topic 958-720-45-2, *Functional Classification of Expenses*, the costs of providing various programs and other activities of the Organization 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. The primary functional classifications of the Organization's uses of resources are *Program Services expenses, Management and General expenses, and Fundraising expenses*. 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 Organization. Fundraising expenses are costs incurred in connection with special events and other activities targeted at increasing public awareness and raising funds for the Organizations programs and activities. The Organization's core programs are described in Note 2.

Cash and Cash Equivalents

The Organization reports as cash and cash equivalents 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. The Organization had no cash equivalents as of December 31, 2021 or 2020. Management believes that the carrying amounts reported for cash in the statements of financial position approximate their fair values.

Investments

Stocks and other marketable securities purchased by or donated to the Organization are typically held for a period of time before they are sold. Such securities held at the year-end are reported at their 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. Returns from stock and other marketable securities are reported as an increase or decrease in net assets without donor-restrictions unless their use is limited by donor-imposed restrictions. Any proceeds from sales of donated stocks and other marketable securities that are without donor-restrictions, which are temporarily held in money market accounts, are recorded as cash equivalents.

Fair Value Measurements

FASB ASC Topic 820-10, *Fair Value Measurements*, provides the definition of fair value and establishes a framework for measuring fair value. 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).

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

The Organization 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 Organization 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: Valuations are based on quoted prices in active markets for identical investments. Accordingly, valuations of these securities do not entail a significant degree of judgment.
- Level 2: Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3: Valuations are based on inputs that are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Property and Equipment

Property and equipment are generally recorded at cost. The Organization follows the policy of capitalizing all expenditures exceeding \$500 for each unit of property and equipment at cost (whether acquired by purchase or by donation). Property and equipment are depreciated and amortized using the straight-line method based on their estimated useful lives ranging from five years for equipment and furniture to 39 years for buildings and improvements. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the property or equipment are capitalized. Estimated useful lives of property and equipment are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Office equipment	3 years

New Accounting Pronouncements

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. This update is effective for the Organization’s 2022 financial statements. When implemented, this result will result in the following new accounting disclosures:

1. Initial measurement, and inclusion in the financial statement, of the value of right-of-use asset and the corresponding lease liability at the present value of the lease future payments;
2. 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

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Classification of all cash payments for operating leases within the operating activities section in the statement of cash flows.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is classified as a public charity under Section 509(a)(2) of the Code. However, income generated from activities unrelated to the Organization’s exempt purpose is subject to tax under Section 511 of the Code. The Organization did not conduct any unrelated business activities in the years ended December 31, 2021 and 2020. Accordingly, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization files Form 990, *Return of Organization Exempt from Income Tax*, for its exempt activities in the federal jurisdiction within the United States. The federal income tax returns of the Organization for years 2018 through 2020 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences from whom it solicits donations, as well as to educate the public about its activities. The production costs of advertising are expensed the first time the advertising takes place. Total advertising expense for the years ended December 31, 2021 and 2020, was \$44,870 and \$50,410, respectively.

2. ORGANIZATION’S PROGRAMS AND ACTIVITIES

The Organization provides a variety of services and community benefits in furtherance of its mission. Although the Organization is a Hindu faith-based humanitarian organization, it does not use any portion of its financial resources for proselytizing activities. In addition, the Organization maintains a non-discriminatory service philosophy. Accordingly, exposure, adherence, or conversion to any religious doctrine is not required from the beneficiaries of services provided by the Organization.

The costs of performing the following major activities have been summarized into program services expenses in the accompanying financial statements:

1. Disaster Relief and Rehabilitation

The Organization executes rescue and relief activities immediately after a disaster, and supports rehabilitation projects from the stress caused by natural disasters such as floods, landslides, earthquakes, hurricanes, and forest fires that devastate humanity, animals and infrastructure.

2. Family Services

Based on the concept of Hindu families, the Organization has developed and organized the Family Services program across its chapters with three main areas of focus:

- A. Emergency Support Services to needy families.
- B. Health and Wellness such as Stop Diabetes Movement - an initiative to prevent diabetes through therapy and the practice of yoga. Through its health and wellness program, the Organization promotes Yoga and Meditation for improving physical and mental health in the

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broader community by organizing free workshops round the year and large scale public programs on International Day of Yoga on June 21.

- C. Awareness and Education – The Aspire Program focuses on the overall development of kids, giving them all the tools they require for social and academic success. After-school tutoring and homework assistance are available for youth in the underserved communities. Other educational activities include workshops on financial management and focused sessions based on age groups.

3. Human Development and Empowerment

International Development Projects - International development projects are conducted by the Organization through and along with its sister organizations worldwide. Since the Sewa movement is in more than 20 countries, this network helps the Organization in implementing its development projects. Currently the Organization is focused on education, child and tribal welfare, youth and women empowerment, vocational training, rural development, and the environment.

Bhutanese Empowerment (in the USA) - The Organization played a significant role in the settlement, education, and support of Bhutanese refugees in various states across the USA during 2008 through 2013. Since 2013, main focus has been on youth and community empowerment in the Bhutanese refugee community. Due to the challenging nature of this project, the Organization also provided innovative programs, including women empowerment programs, skillset improvements, job and vocational training services, life skills improvement programs, education and emergency services.

4. Volunteer Development

Volunteer Development projects are implemented by the Organization through its various Chapters in support of their local communities. The Organization provides volunteer resources to community organizations that require a particular task done such as: Spring cleaning of temples or city parks; soup kitchen; stocking the food banks; day visits to terminally or chronically ill children; managing and running community events; etc.

In addition, volunteer-based development programs focus on family services; child, tribal and refugee welfare; women empowerment; health; and education in the USA and many other countries. Youth internship programs are also conducted in the USA and other countries.

5. Sponsor a Child

The *Sponsor a Child* project serves children of low-income families through donating fees, uniforms, books, subject coaching, career guidance, and counseling. The program provides a holistic development opportunity for students. Apart from their regular class work, all students can participate in sports and cultural events. They are also provided exposure to computers and video-based education.

6. Girls' Toilet and Hygiene

The Toilet and Hygiene for Girl Child is an ongoing project in India to build sanitation facilities for the vulnerable sections of the society to overcome practices of open defecation. Lack of toilets in schools is a major contributor to high dropout rate of girls in middle and high schools. Focus of the project is on building toilets for girls in schools and neighborhoods to reverse this trend.

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7. *AmeriCorps Program*

The Organization is a subrecipient of the AmeriCorps federal grant awards. The objectives of the AmeriCorps program include developing national service resources for responding to disasters and for assisting people and businesses affected by disasters through their recovery efforts. Additional objectives include to enable and stimulate volunteer community service. The Organization participates in the training of enrollees. The program requires the Organization to match at least 25% of federal funds with its own resources.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a summary of the Organization's financial instruments, excluding cash, within the fair value hierarchy, as of December 31, 2021 and 2020:

	Fair Value Measurement as at December 31, 2021, Using:			Total	Cost Basis
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Money Market Funds and CDs	\$ 4,592,863	\$ -	\$ -	\$ 4,592,863	\$ 4,592,863
Mutual Funds	-	-	-	-	-
Equity Securities	1,530,285	-	-	1,530,285	1,381,134
Hedge Funds	-	367,750	1,243,319	1,611,069	1,500,000
Other ETPs	442,602	-	-	442,601	809,553
Investments carried at fair value	6,565,750	367,750	1,243,319	8,176,818	8,283,550
Non-marketable convertible foreign securities	-	-	698,853	698,853	500,000
Total Investments at 12/31/2021	\$ 6,565,750	\$ 367,750	\$ 1,942,172	\$ 8,875,671	\$ 8,783,550

	Fair Value Measurement as at December 31, 2020, Using:			Total	Cost Basis
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Money Market Funds and CDs	\$ 2,084,068	\$ -	\$ -	\$ 2,084,068	\$ 1,682,094
Mutual Funds	688,579	-	-	688,579	540,408
Equity Securities	2,152,679	-	-	2,152,679	1,966,015
Hedge Funds	-	397,000	1,188,980	1,585,980	1,500,000
Other ETPs	514,954	-	-	514,954	633,221
Investments carried at fair value	5,440,280	397,000	1,188,980	7,026,260	6,321,738
Non-marketable convertible foreign securities	-	-	270,886	270,886	200,000
Total Investments at 12/31/2020	\$ 5,440,280	\$ 397,000	\$ 1,459,866	\$ 7,297,146	\$ 6,521,738

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Non-marketable convertible foreign securities consist of investment in:

- (1) Compulsorily convertible preference shares of a privately held Indian non-government (aka NGO) company, without readily determinable market values but valued by the Organization at \$398,853 at December 31, 2021. The securities were acquired in 2019. The Organization has reported this investment at the unit rate that the issuer was selling the same shares at the year end, net of unrealized exchange gain or loss between the US Dollar and Indian Rupees, in the absence of other observable transactions or evidence of impairment that would warrant an adjustment as of the reporting date and through the date these financial statements were issued. No significant exchange loss was observed as of December 31, 2021 and 2020.
- (2) A 5% convertible promissory note (“Note”) issued by a limited liability company incorporated under the laws of Cayman Islands. The Note was issued on November 23, 2021 for \$300,000 with a maturity date of September 30, 2023. The Note has been included at its face value in the financial statements as of December 31, 2021.

The Organization adjusts the carrying value of non-marketable securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable securities, realized and unrealized, are recognized in the statement of activities as changes in net assets.

The Organization’s financial instruments, including investments reported at fair value, are exposed to various risks such as custodial credit risk, interest rate risk, foreign currency risk, and market price risk which are described in greater details in Note 6.

All assets have been valued using a market approach at December 31, 2021 and 2020 except cash equivalents which are carried at book value because this value-basis is considered to approximate fair value due to the relatively short-term nature of these accounts and the non-marketable convertible securities described above. There were no changes in the valuations techniques applied to financial instruments during the years ended December 31, 2021 and 2020.

The following schedule summarizes investment returns in the statements of activities. Unrealized gains from investments reported at fair value at the measurement dates, which are included in net return on investments, are not guaranteed to be realized in cash due to unpredictable fluctuations in the investments fair value.

	2021	2020
Interest and dividend incomes	\$ 79,389	\$ 102,318
Net realized and unrealized gain	1,497,406	336,079
Net return on investments	\$ 1,576,795	\$ 438,397

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4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31, 2021 and 2020:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Office equipment	\$ 21,680	\$ 1,655	\$ -	\$ 23,335
Furnitures	1,689	-	-	1,689
Total cost	23,369	1,655	-	25,024
Accumulated depreciation	(21,579)	(2,342)	-	(23,921)
Property and equipment, net	<u>\$ 1,790</u>	<u>\$ (687)</u>	<u>\$ -</u>	<u>\$ 1,103</u>

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$2,342 and \$8,263, respectively.

5. “REFUNDABLE ADVANCE” AND CONTRIBUTIONS BY THE FEDERAL GOVERNMENT

In response to the economic fallout of the COVID-19 pandemic in the United States in 2020, the Federal Government established the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in March 2020. The Act created the Paycheck Protection Program (“PPP”) that provided forgivable loans to small businesses including nonprofit organizations. This loan program was administered by the Small Business Administration (“SBA”). Under the PPP provisions, as later amended, borrowers could become eligible for loan forgiveness if they spent at least 60% of the loan proceeds for payroll costs during the covered period. The Organization participated in the PPP loan program in 2020 and again in 2021. In 2020, the Organization received PPP loan of \$77,142 which it then reported as “refundable advance” pending loan forgiveness. In 2021 the Organization obtained additional PPP loan of \$69,578. Both loans, totaling \$146,720, were forgiven by the SBA in 2021 and have been included in contributions revenue for the year ended December 31, 2021.

The CARES Act also included the creation of the Economic Injury Disaster Loan (“EIDL”) program that allowed the SBA to provide long-term direct loans to enable small businesses, including nonprofit organizations, to meet financial obligations and operating expenses that could have been met had the COVID-19 disaster not occurred. On May 5, 2020, the Organization received \$9,000 cash advance under the EIDL program. The loan carried a term of 30 years and a fixed interest rate of 2.75%. The Organization repaid the loan in full on July 2, 2020.

6. CONCENTRATIONS

Concentrations of Business Risks Related to Investments and Other Financial Instruments

Investments and other financial instruments are subject to a variety of risks, including custodial credit risk, interest rate risk, and market price risk.

Custodial credit risk refers to the risk that in the event of the failure of a depository financial institution, the depositor will not be able to recover the deposits, resulting in a financial loss to the Organization. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are not

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otherwise collateralized. The Organization's financial instruments that are subject to concentrations of credit risk consist of cash deposited with financial institutions and marketable securities held by brokers.

The Organization maintains cash deposit balances with financial institutions considered by management as credit-worthy and strong. These deposit balances may occasionally exceed limits insured by the Federal Deposit Insurance Corporation (FDIC), which is \$250,000 per customer per bank. Cash deposits include money market funds with financial institutions which are insured by FDIC because they did not meet the criteria to be insured by the Securities Investor Protection Corporation (SIPC). At December 31, 2021 and 2020, the Organization's deposit balances with certain financial institutions exceeded the FDIC insured limit by a combined total of approximately \$19,272,157 and \$1,834,545, respectively, which were not otherwise insured. The Organization did not experience any loss of assets resulting from a custodial credit risk during the years ended December 31, 2021 and 2020.

Market price risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates, equity prices, and credit spreads – will affect the Organization's income or the fair value of its holdings of financial instruments. Return on investments included in the current period's revenues may include unrealized gains inherent in the investments' fair value, which may or may not be realizable in cash in the foreseeable future due to subsequent changes in investments fair value. The fair value of the financial instruments regularly fluctuates as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market. Market price risk is managed by the investment manager by diversifying the portfolio, but diversification is not always a foolproof mitigant against fluctuations of investments fair value.

The Organization invests in financial instruments in accordance with its investment management strategy. The Organization invested in U.S. marketable securities, including stocks, mutual funds, and other investment instruments described in Note 3. These investments valued at \$8,875,671 and \$7,297,149 as December 31, 2021 and 2020, respectively, which included cash components of \$423,115 and \$369,124 at December 31, 2021 and 2020, respectively, were held by U.S. investment companies. The SIPC insures each investor against custodial risks up to \$500,000, inclusive of a sublimit of \$250,000 for claims of eligible cash. Investments in excess of SIPC insured limit were not otherwise insured.

As more fully described in Note 3, the Organization's investments also included certain non-marketable convertible foreign securities, which were reported at \$698,853 and \$270,886 at December 31, 2021 and 2020, respectively. These assets are subject to exchange rate risks in addition to market and custodial risks. These assets are not otherwise insured.

Operations Outside the United States of America

In the years ended December 31, 2021 and 2020, approximately 94% and 45%, respectively, of the Organization's program service expenses were for activities outside the United States.

7. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, the total net assets with donor-restrictions in terms of the purpose and/or the timing of their use were \$12,922,083 and \$2,081,952, respectively. The following table

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identifies the composition of net assets with donor-restrictions, by purpose and by region, as of December 31, 2021 and 2020, as well as the net assets released from restrictions through expenses in the current year:

Program/Purpose	Region	Balance at 12/31/2020	Additions in 2021	Spending in 2021	Resource Reclassifications to Comply with Fund Classification Policy	Balance at 12/31/2021
Child Welfare	India	\$ 4,108	\$ 1,013,106	\$ -	\$ -	\$ 1,017,214
Disaster Relief	Africa	5,000	-	5,000	-	-
Disaster Relief	India	493,205	35,091,084	25,265,846	-	10,318,443
Disaster Relief	USA	354,220	965,256	1,062,730	-	256,746
Education	India	226,170	1,049,671	962,017	(92,677)	221,147
Education	USA	555,382	253,009	316,066	-	492,325
Family Services	India	187,128	45,585	33,169	-	199,544
Family Services	South America	20,000	-	32,100	50,000	37,900
Family Services	South Asia	50,000	73,528	66,803	50,000	106,725
Health & Hygiene	India	55,027	152,099	185,566	-	21,560
Rural Development	India	1,160	4,000	5,160	-	-
Volunteer Service	India	71,330	211,114	250,867	-	31,577
Volunteer Service	USA	44,222	79,409	21,729	-	101,902
Other Projects	India	15,000	51,000	-	51,000	117,000
Total Net Assets with Donor-Restrictions		\$ 2,081,952	\$ 38,988,861	\$ 28,207,053	\$ 58,323	\$ 12,922,083

8. BOARD-DESIGNATED ENDOWMENT FUND

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2017 the Organization received donations of \$1,650,000 without donor-restrictions from a family. In 2017 the Organization's governing board passed a voluntary resolution designating the donations and any subsequent additions thereof or increases through investment returns, to altogether function as the *Bhagawathibai Gehani Family Endowment Fund*, for an unspecified period of time, in honor of the donors' family. The purpose of this quasi endowment fund is to generate income for a variety of projects and growth of the Organization. Additional donations of \$6,157,695 received from the same family since the establishment of this quasi endowment fund plus various net returns on the invested funds have been added to the fund. In 2021, the Organization added \$90,000 from other donors to the fund.

The Organization has established investment and spending policies to govern the management of its quasi endowment fund and other liquid assets in excess of its current spending requirements, which may be invested in marketable securities or other forms of investment instruments authorized by the governing board. Under this policy, the fund's assets are invested in a manner that is intended to preserve their purchasing power while assuming a moderate level of investment risk, as well as provide the Organization with a predictable and stable stream of financial support. The primary investment objective of the Organization is to earn an average annual return that exceeds the nominal spending rate policy plus the rate of inflation, net of all fees, including investment management advisory fees and custody charges, over the long term. Annual investment management fees are estimated at 2% of the

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average of the beginning of year and end of year total balances of the quasi endowment account. The Organization's investment income spending policy allows the governing board to distribute no more than 5% of the net return on investments in any year to support the Organization's purposes.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places greater emphasis on publicly traded equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in the quasi endowment fund's net assets for the year ended December 31, 2021, were as follows:

	<u>Board-Designated Endowment</u>
Balance at December 31, 2020	\$ 6,763,425
Summary of current year activity:	
Net return on investments	1,606,045
Additions of funds to the designated endowment	1,898,030
Amount appropriated for expenditures	<u>(135,000)</u>
Net change in the board-designated endowment fund	<u>3,369,075</u>
Ending balance at December 31, 2021	<u>\$ 10,132,500</u>

9. LIQUIDITY MANAGEMENT

As of December 31, 2021, the Organization had \$5,827,690 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>December 31, 2021</u>
Cash and cash equivalents	\$ 19,970,068
Accounts receivable	36,534
Investments	<u>8,875,671</u>
Financial assets at year-end	28,882,273
Less those unavailable for general expenditures within one year, due to:	
- Internal limit from Board designated endowment fund	(10,132,500)
- Resources restricted by donors for specific programs	<u>(12,922,083)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,827,690</u>

The Organization reasonably estimates its cash needs on a month to month basis and is able to structure its financial assets to provide cash for its general expenditures, liabilities, and other obligations as they become due.

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10. COMMITMENTS

Lease Commitment

The Organization leases facilities for fundraising events and warehousing of program supplies, residential facilities for some of its program sites in Houston and San Marcos, Texas, and as well as office spaces in Houston, Texas and Milpitas, California. Some of these leases are short-term facility rentals for event days and are not non-cancellation term leases. The current non-cancellable term leases will mature at different dates through December 31, 2022. The Organization enjoyed the use of some of the facilities with term lease agreements at no-rent or reduced-rent basis in 2021 and 2020. Donated rental benefits have been included in inkind revenues and expenses. The following table presents the minimum future payable amounts under the current non-cancellable lease agreements:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 46,500
2023	<u>6,000</u>
	<u>\$ 52,500</u>

Total rental expenses, including inkind rental expenses, for the years ended December 31, 2021 and 2020, was \$66,438 and \$65,393, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2022. This was the date the financial statements were available to be issued. No events have occurred subsequent to the latest statement of financial position date, which would require adjustments to, or disclosure in, the financial statements.