DAVISKELLY CERTIFIED PUBLIC ACCOUNTANTS
CREATING VALUE FROM NUMBERS

THE AKSHAYA PATRA FOUNDATION (USA)

Financial Statements

Year Ended December 31, 2018 and 2017

THE AKSHAYA PATRA FOUNDATION (USA)

Financial Statements

December 31, 2018 and 2017

Table of Contents

DAVISKELLY CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditors' Report

To the Board of Directors of
The Akshaya Patra Foundation (USA)
Stoneham, Massachusetts

We have audited the accompanying financial statements of The Akshaya Patra Foundation (USA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Akshaya Patra Foundation (USA) as of December 31, 2018 and 2017, 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.

DavisKelly LLC

Boston, Massachusetts
May 10, 2019

THE AKSHAYA PATRA FOUNDATION (USA)

Financial Statements

Statement of Financial Position

As of December 31, 2018

(With comparative totals as of December 31, 2017)

		2018		2017
Assets				
Current assets:				
Cash and cash equivalents	$	3,050,501	$	1,525,547
Accounts and pledges receivable		1,224,289		1,006,969
Investments		383		23,255
Prepaid expenses		16,664		18,331
Total current assets		4,291,837		2,574,102
Website and computers, net		28,549		15,173
Other assets:				
Pledges receivable- non-current, net		14,336		224,327
Total assets	$	4,334,722	$	2,813,602
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$	1,155	$	8,076
Accrued expenses		19,614		12,206
Total liabilities		20,769		20,282
Net assets:				
Without donor restrictions		2,378,084		1,434,203
With donor restrictions		1,935,869		1,359,117
Total net assets		4,313,953		2,793,320
Total liabilities and net assets	$	4,334,722	$	2,813,602

The accompanying notes are an integral part of these financial statements

THE AKSHAYA PATRA FOUNDATION (USA)

Financial Statements

Statement of Activities

For the Year Ended December 31, 2018

		Without Donor Restrictions		***With Donor Restrictions***		***Total***
Revenue and support:						
Contributions and other support:						
Contributions	$	2,884,320	$	256,593	$	3,140,913
Investment income, net		2,710		-		2,710
Interest income		14,524		-		14,524
Contributed goods and services		135,962		-		135,962
Net assets released from restrictions		861,363		(861,363)		-
Total contributions and other support		3,898,879		(604,770)		3,294,109
Special event revenue						
Special event revenue		3,196,943		1,181,522		4,378,465
Less: direct special event expenses		(466,452)		-		(466,452)
Special event revenue, net		2,730,491		1,181,522		3,912,013
Total revenue and support:		6,629,370		576,752		7,206,122
Expenses:						
Program services		4,973,530		-		4,973,530
Fundraising		528,801		-		528,801
General and administration		183,159		-		183,159
Total expenses		5,685,489		-		5,685,489
Changes in net assets		943,881		576,752		1,520,633
Net assets, beginning of the year		1,434,203		1,359,117		2,793,320
Net assets, ending of the year	$	2,378,084	$	1,935,869	$	4,313,953

The accompanying notes are an integral part of these financial statements

THE AKSHAYA PATRA FOUNDATION (USA)

Financial Statements

Statement of Activities

For the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and other support:			
Contributions	$ 3,009,867	$ 169,349	$ 3,179,216
Investment income, net	4,339	-	4,339
Contributed goods and services	19,452	-	19,452
Net assets released from restrictions	374,833	(374,833)	-
Total contributions and other support	3,408,491	(205,484)	3,203,007
Special event revenue			
Special event revenue	2,406,062	-	2,406,062
Less: direct special event expenses	(355,019)	-	(355,019)
Special event revenue, net	2,051,043	-	2,051,043
Total revenue and support:	5,459,534	(205,484)	5,254,050
Expenses:			
Program services	4,618,150	-	4,618,150
Fundraising	446,797	-	446,797
General and administration	146,147	-	146,147
Total expenses	5,211,094	-	5,211,094
Changes in net assets	248,440	(205,484)	42,956
Net assets, beginning of the year	1,185,763	1,564,601	2,750,364
Net assets, ending of the year	$ 1,434,203	$ 1,359,117	$ 2,793,320

The accompanying notes are an integral part of these financial statements

THE AKSHAYA PATRA FOUNDATION (USA)

Financial Statements

Statements of Cash Flows

For the year ended December 31, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Changes in net assets	$	1,520,633	$	42,956
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization		10,509		658
Gains (losses) on investments		2,710		(374)
Bad debt expense		35,000		-
Change in:				
Accounts and pledges receivable		(252,320)		(79,903)
Prepaid expenses		1,667		(14,056)
Pledges receivable- non-current		209,991		611,829
Accounts payable		(6,921)		(31,019)
Accrued expenses		7,408		(9,940)
Net cash provided by operating activities		1,528,677		520,151
Cash flows from investing activities:				
Purchase of fixed assets		(23,885)		(15,394)
Donated securities		(87,239)		(72,758)
Sale of donated securities		107,401		76,928
Net cash used in investing activities		(3,723)		(11,224)
Net change in cash and cash equivalents		1,524,954		508,927
Cash and cash equivalents, beginning		1,525,547		1,016,620
Cash and cash equivalents, ending	$	3,050,501	$	1,525,547

The accompanying notes are an integral part of these financial statements

THE AKSHAYA PATRA FOUNDATION (USA)

Statement of Functional Expenses

For the year ended December 31, 2018

	Program Services	Fundraising	General and Administration	Total
Grants to Akshaya Patra Foundation India	$ 4,648,736	$ -	$ -	$ 4,648,736
Salaries	273,674	347,099	46,725	667,498
Health insurance	15,213	19,295	2,597	37,105
Fringe benefits	6,326	8,023	1,080	15,429
Payroll taxes	16,566	21,011	2,828	40,405
Professional fees	9,667	6,445	16,112	32,224
Donation processing fees	-	39,316	4,368	43,684
Information technology	-	11,620	2,051	13,671
Website	2,470	12,352	9,882	24,704
Filing fees	-	-	10,702	10,702
Marketing Expenses	-	47,403	11,851	59,254
Occupancy	-	5,146	5,146	10,292
Telecommunication	-	5,189	3,459	8,648
Pension expense	878	1,113	150	2,141
Insurance	-	-	6,336	6,336
Office expenses	-	4,788	14,363	19,151
Bad debt expense			35,000	35,000
Depreciation and amortization	-	-	10,509	10,509
Total expenses	$ 4,973,530	$ 528,801	$ 183,159	$ 5,685,489

The accompanying notes are an integral part of these financial statements

THE AKSHAYA PATRA FOUNDATION (USA)

Statement of Functional Expenses

For the year ended December 31, 2017

	Program Services	Fundraising	General and Administration	Total
Grants to Akshaya Patra Foundation India	$ 4,351,198	$ -	$	$ 4,351,198
Salaries	225,680	282,100	56,420	564,200
Health insurance	11,863	14,828	2,966	29,657
Fringe benefits	3,672	4,813	918	9,403
Payroll taxes	8,545	29,909	4,273	42,727
Professional fees	12,700	27,198	15,838	55,736
Donation processing fees	-	39,072	1,558	40,630
Information technology	-	11,559	21,056	32,615
Website	-	-	7,976	7,976
Filing fees	-	-	11,680	11,680
Travel	1,288	1,883	-	3,171
Printing and copying	-	11,351	2,003	13,354
Occupancy	-	4,978	4,978	9,956
Telecommunication	-	5,012	4,107	9,119
Pension expense	2,351	2,939	588	5,878
Insurance	-	-	6,151	6,151
Postage	-	-	4,465	4,465
Office expenses	853	11,155	512	12,520
Depreciation and amortization	-	-	658	658
Total expenses	$ 4,618,150	$ 446,797	$ 146,147	$ 5,211,094

The accompanying notes are an integral part of these financial statements

Note 1 - Organization

The Akshaya Patra Foundation (USA) ("Organization") was established in 2001 as a USA 501(c)(3) non-profit corporation to promote the mission and to raise and distribute funds to help grow. The Akshaya Patra Foundation (TAPF) based in Bangalore, India. In 2018, TAPF provided hot, nutritious meals to more than 1.75 million children daily in over 15,000 government schools across 12 states from 35 centralized and 2 de-centralized kitchen locations in India. These meals serve a dual role of combatting childhood malnutrition and encouraging school attendance. In the years ended December 31, 2018 and 2017, the Organization contributed $4,648,736 and $4,351,198 to TAPF in the form of grants. Pursuant to a Board Resolution, which can be amended from time to time. A percentage of all funds raised by The Akshaya Patra Foundation (USA) are retained to cover its operating expenses and the balance is sent as grants either with or without use restrictions in accordance with donor instructions. Additionally, the Organization may receive other funds which are designated to be used exclusively for its operations.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The financial statement presentation follows the guidelines of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 “Not-for-Profit Entities- Presentation of financial statements of Not-for-Profit Entities.”

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts that represent funds that have been restricted by donors and designated by the Board.

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services

The Organization records various types of in kind support including contributed professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received. Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria as described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/ or support service are allocated directly according to its natural expenditure classification.

Website and computers

The website and computers are recorded at cost, if purchased, or if donated, at their estimated fair market value at the date of receipt. All acquisitions in excess of $1,500 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. The cost of maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, 3-5 years.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1) (a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from state taxes.

Use of Estimates and Assumptions

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

A. Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, assets with restrictions are reclassified to assets without restrictions.

B. Pledges Receivable

Pledges receivable represent amounts which are due from donors which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Promises to give with expected payment dates that extend beyond one year are discounted to their present value as summarized on the Note 11. Management believes that all pledges receivable are collectible, and therefore, no allowance for doubtful pledges has been established. If pledges are determined to be uncollectible in subsequent periods, they will be charged to activities at that time.

C. Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received.

Note 3 – Liquidity and Availability

Company has the Board directive to retain funds to keep cash reserves for up to six months of general expense and for building up the organization, from time to time. In general, funds are disbursed towards program expenses at the end of every quarter and held in interest bearing money market accounts at regional or national level banks till such time. Marketable securities are donations received in the form of stocks that are received and immediately sold for cash proceeds. Estimated average annual non grant expense for the organization is $1M and the available balance on December 31, 2018 is sufficient to last for 3 years.

Note 3 – Liquidity and Availability (continued)

Liquid financial assets as of the balance sheet date comprise of:

Cash and cash equivalents	$	3,050,501
Marketable securities		383
	$	3,050,884

Note 4- Website and computers

At December 31, 2018 and 2017 equipment consisted of the following:

		2018		***2017***
Computers	$	5,145	$	5,145
Website		36,968		13,083
Less: Accumulated depreciation and amortization		(13,564)		(3,055)
Computers and website, net	$	28,549	$	15,173

Depreciation and amortization for the years ended December 31, 2018 and 2017 was $10,509 and $658, respectively.

Note 5 - Significant Concentrations of Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, cash equivalents, investments, and contributions receivable. The Organization maintains its cash, cash equivalents, and investments with high-credit quality financial institutions. These balances from time-to-time exceed the FDIC limits and subject the organization to concentration of credit risk.

Note 6 – Contributed Goods and Services

Contributed goods and services totaled $135,962 and $19,452 for the years ended 2018 and 2017, respectively. In 2018, the Organization received donated services from the Executive Director valued at $125,000 which is included in the amount of $135,962. The remainder of the donated services for both years consisted of donated rent and supplies for a special event.

Note 7 – Retirement Plan

The Organization sponsors a Simple IRA defined contribution retirement plan (the "Plan") covering substantially all of its employees who meet certain eligibility requirements. The Organization will match employee contributions up to 3% of their gross salary. During the years ended December 31, 2018 and 2017, the Organization made contributions to the plan in the amount of $2,141 and $5,878, respectively.

Note 8 - Special Events

The Organization had special events in the years 2018 and 2017. For the years ended December 31, 2018 and 2017, the special event revenue and expenses are as follows:

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Special event revenue	$ 3,196,943	$ 1,181,522	$ 4,378,465	$ 2,406,062
Less: direct special event expenses	(466,452)	-	(466,452)	(355,019)
Net assets released from restrictions	846,453	(846,453)	-	-
Special events, net	$ 3,576,944	$ 335,069	$ 3,912,013	$ 2,051,043

Note 9 - Fair Value Measurements

Financial Accounting Standards Board Statement ASC 820, *Fair Value Measurements,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 9 - Fair Value Measurements (continued)

The fair value of investments appearing on the statement of financial position has the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include money market and stocks which amounted to $383 as of December 31, 2018. There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

Note 10 –Net assets with donor restrictions

At December 31, 2018 and 2017, the Organization had assets with donor restricted of $1,935,869 and $1,359,117, respectively which are restricted for specific programs.

Note 11 – Pledges Receivable

Pledges receivable are estimated to be collected as follows on December 31, 2018 and 2017.

	2018	***2017***
Within one year	$ 994,289	$ 901,837
In one to five years	245,000	225,000
Subtotal	1,239,289	1,126,837
Less discount to net present value	(664)	(673)
Pledges receivable, net	$ 1,238,625	$ 1,126,164

Pledges receivable are recorded after being discounted to the anticipated net present value of the future cash flows.

Note 12 – Advertising

The Organization uses advertising for public relations and to promote its programs. Advertising costs are expensed as incurred. Total advertising costs including event advertisements for the years ended December 31, 2018 and 2017 were $16,730 and $4,390, respectively.

Note 13 – Accounting Standards Update

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Note 13 – Accounting Standards Update (continued)

The ASU has been applied retrospectively to all periods presented. There was no change in the net assets as a result of this implementation.

Note 14 – Subsequent Events

ASC 855-10, "Subsequent events" defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization management has evaluated events subsequent to December 31, 2018 to May 10, 2019 which is the date the financial statements were available to be issued. In January and February 2019, the Organization transferred to The Akshaya Patra Foundation India $2,623,835 of revenue earned in 2018 to fund the program. There were no other material events noted during this period that would impact the results reflected in this report.