

SARVODAYA U.S.A. CORPORATION

FINANCIAL STATEMENTS

December 31, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sarvodaya U.S.A. Corporation
Madison, Wisconsin

We have audited the accompanying statements of financial position of Sarvodaya U.S.A. Corporation as of December 31, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sarvodaya U.S.A. Corporation as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wegner LLP

Wegner LLP
April 4, 2007



SARVODAYA U.S.A. CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 106,132	\$ 243,703
Total assets	<u>\$ 106,132</u>	<u>\$ 243,703</u>
LIABILITIES		
Accounts payable	\$ 1,290	\$ 1,291
NET ASSETS		
Unrestricted	26,637	97,026
Temporarily restricted	<u>78,205</u>	<u>145,386</u>
Total net assets	<u>104,842</u>	<u>242,412</u>
Total liabilities and net assets	<u>\$ 106,132</u>	<u>\$ 243,703</u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND RECLASSIFICATIONS		
Contributions	\$ 49,413	\$ 133,093
Other income	1,633	7,697
	<u>51,046</u>	<u>140,790</u>
Net assets released from restrictions		
Satisfaction of program restrictions	178,429	3,297,811
	<u>229,475</u>	<u>3,438,601</u>
EXPENSES		
Program services		
Tsunami relief	139,153	3,176,821
Peace Programs	49,785	-
Village to Village	14,875	-
Housing projects	16,890	-
Other programs	18,493	23,062
	<u>239,196</u>	<u>3,199,883</u>
Supporting activities		
Management and general	47,970	103,967
Fundraising	33,188	44,047
	<u>81,158</u>	<u>148,014</u>
Total expenses	<u>320,354</u>	<u>3,347,897</u>
Change in unrestricted net assets	(90,879)	90,704
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	131,738	3,419,243
Net assets released from restrictions		
Satisfaction of program restrictions	(178,429)	(3,297,811)
	<u>(46,691)</u>	<u>121,432</u>
Change in temporarily restricted net assets	<u>(46,691)</u>	<u>121,432</u>
Change in net assets	(137,570)	212,136
Net assets - beginning of year	242,412	30,276
Net assets - end of year	<u>\$ 104,842</u>	<u>\$ 242,412</u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2006 and 2005

2006	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Staff costs	\$ -	\$ 22,550	\$ 15,033	\$ 37,583
Occupancy	-	2,743	1,828	4,571
Insurance	-	1,145	764	1,909
Travel and entertainment	-	419	280	699
Professional fees	-	3,104	2,070	5,174
Meeting expenses	-	176	117	293
Other operating expenses	-	17,832	13,097	30,929
Travel study tours	39	-	-	39
Outreach and speakers	725	-	-	725
Small equipment	221	-	-	221
Specific project grants	238,211	-	-	238,211
Total expenses	\$ 239,196	\$ 47,970	\$ 33,188	\$ 320,354
2005	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Staff costs	\$ 4,013	\$ 47,378	\$ 18,504	\$ 69,895
Occupancy	-	5,025	1,256	6,281
Insurance	-	1,168	292	1,460
Travel and entertainment	-	4,022	1,006	5,028
Professional fees	-	35,730	-	35,730
Meeting expenses	-	925	231	1,156
Other operating expenses	-	9,719	22,758	32,477
Travel study tours	4,823	-	-	4,823
Outreach and speakers	13,152	-	-	13,152
Small equipment	1,074	-	-	1,074
Specific project grants	3,176,821	-	-	3,176,821
Total expenses	\$ 3,199,883	\$ 103,967	\$ 44,047	\$ 3,347,897

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (137,570)	\$ 212,136
Adjustments to reconcile change in net assets to net change in cash		
Increase (decrease) in accounts payable	<u>(1)</u>	<u>1,291</u>
Net change in cash	(137,571)	213,427
Cash - beginning of year	<u>243,703</u>	<u>30,276</u>
Cash - end of year	<u>\$ 106,132</u>	<u>\$ 243,703</u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2006 and 2005

Sarvodaya U.S.A. Corporation (Sarvodaya U.S.A.) is part of a network of non-profit organizations around the world inspired by the Sarvodaya Shramadana Movement of Sri Lanka (LJSSS). The movement works toward a vision of inclusive, healthy, and sustainable communities where individuals and organizations act together to overcome political, cultural, geographic, socioeconomic, and religious divisions to support quality of life for all. The Organization's primary source of revenue is contributions from the general public. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Sarvodaya U.S.A. and changes therein are classified as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets—Net assets subject to donor-imposed restrictions that may or will be met either by actions of Sarvodaya U.S.A. and/or the passage of time.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance unconditional. Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in accordance 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.

Donated Services

No amounts have been reflected in the financial statements for donated services. Sarvodaya U.S.A. generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the organization with specific programs. Sarvodaya U.S.A. estimates that it received more than 500 and 2,000 volunteer hours valued at \$5,000 and \$20,000 in 2006 and 2005.

SARVODAYA U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of Sarvodaya U.S.A.'s programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes those activities:

Tsunami relief—The grants supported tsunami rehabilitation and reconstruction activities. They provided assistance to rebuilding and reconstruction of permanent shelters and livelihood support to the tsunami survivors.

Peace Programs—Sarvodaya U.S.A. supported conflict resolution and peace building activities in Sri Lanka. The Peace Programs grant supported LJSSS's "Last Mile to Peace – Mobile Leaders Program". The program trained 15 young community leaders and mobilized them throughout Sri Lanka in conflict resolution activities. Sarvodaya U.S.A. also supported the Universal Peace Meditation Program that brought hundreds of thousands of people to peace meditation on October 2, 2006.

Village to Village—The Village to Village program brings together American communities and Sri Lankan communities in a partnership where they share their resources with each other. In 2006, St. Michael's College in Burlington, VT and Thallaramba Village in the Matara district of Sri Lanka came together in a partnership to build a pre-school in Thallaramba Village.

Housing projects—Sarvodaya U.S.A. supported several specific housing projects for tsunami survivors. The projects, supported by donors in the United States, helped rebuild lives of poor Sri Lankans who had lost their property to the tsunami.

Other programs—Sarvodaya U.S.A. supports several other specific projects, in Sri Lanka and in the United States, all of which are in conformity with the principles of the Sarvodaya Shramadana Movement

Management and general—These activities include the functions necessary to ensure an adequate working environment, manage the financial and budgetary responsibilities of the organization, and represent the organization within the community.

Fundraising—These activities include the cultivation of new donors, the creation and coordination of direct mail solicitations, and planned giving activities.

Income Taxes

Sarvodaya U.S.A. is an exempt public charity under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to federal and state income or franchise taxes.

SARVODAYA U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2006 and 2005

NOTE 2 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Tsunami relief	\$ 62,000	\$ 145,386
Village to Village	6,125	-
Housing projects	2,619	-
Suwasetha activities	6,944	-
Other projects	<u>517</u>	<u>-</u>
	<u>\$ 78,205</u>	<u>\$ 145,386</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

Sarvodaya U.S.A. maintains cash balances at various financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$100,000. Sarvodaya U.S.A. maintains deposits in financial institutions that at times may exceed federally insured limits.

NOTE 4 – LEASE

Sarvodaya U.S.A. has a lease for its office space through December 2007 for \$234 per month. Rent expense for 2006 and 2005 was \$4,105 and \$5,700.

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