

SARVODAYA U.S.A. CORPORATION

FINANCIAL STATEMENTS

December 31, 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 statement of financial position of Sarvodaya U.S.A. Corporation as of December 31, 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 Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Wegner LLP

Wegner LLP
April 28, 2006



SARVODAYA U.S.A. CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2005

ASSETS	
Cash	<u>\$ 243,703</u>
Total assets	<u><u>\$ 243,703</u></u>
LIABILITIES	
Accounts payable	\$ 1,291
NET ASSETS	
Unrestricted	97,026
Temporarily restricted	<u>145,386</u>
Total net assets	<u>242,412</u>
Total liabilities and net assets	<u><u>\$ 243,703</u></u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

UNRESTRICTED NET ASSETS	
SUPPORT, REVENUE AND RECLASSIFICATIONS	
Contributions	\$ 133,093
Other Income	<u>7,697</u>
Total unrestricted support and revenue	140,790
Net assets released from restrictions	
Satisfaction of program restrictions	<u>3,297,811</u>
Total unrestricted support, revenue, and reclassifications	3,438,601
EXPENSES	
Program services	
Sri Lanka aid	3,176,821
United States education	<u>23,062</u>
Total program expenses	3,199,883
Supporting activities	
Management and general	103,967
Fundraising	<u>44,047</u>
Total supporting activities	<u>148,014</u>
Total expenses	3,347,897
Change in unrestricted net assets	90,704
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	3,419,243
Net assets released from restrictions	
Satisfaction of program restrictions	<u>(3,297,811)</u>
Change in temporarily restricted net assets	<u>121,432</u>
Change in net assets	212,136
Net assets - beginning of year	<u>30,276</u>
Net assets - end of year	<u>\$ 242,412</u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2005

	Sri Lanka Aid	United States Education	Total Program Expenses	Management and General	Fundraising	Total Expenses
Staff costs	\$ -	\$ 4,013	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	-	-	4,823
Outreach and speakers	-	13,152	13,152	-	-	13,152
Small equipment	-	1,074	1,074	-	-	1,074
Sri Lanka aid	3,176,821	-	3,176,821	-	-	3,176,821
	<u>\$ 3,176,821</u>	<u>\$ 23,062</u>	<u>\$ 3,199,883</u>	<u>\$ 103,967</u>	<u>\$ 44,047</u>	<u>\$ 3,347,897</u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 212,136
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Increase in accounts payable	<u>1,291</u>
Net cash provided by operating activities	213,427
Cash - beginning of year	<u>30,276</u>
Cash - end of year	<u><u>\$ 243,703</u></u>

See accompanying notes.

SARVODAYA U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 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. 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. Sarvodaya U.S.A. seeks to support and promote this vision in Sri Lanka and in the United States of America. 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

Financial Statement 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 and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Sarvodaya U.S.A. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets consist of amounts held for Sri Lanka aid projects.

Support and Revenue Recognition

Support restricted by the grantor, donor, or other outside party is reported as increases in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other restricted support is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue is recognized when Sarvodaya U.S.A. has incurred expenditures in accordance with specified requirements. Such amounts earned, but not received, are reported as receivables. Such amounts received, but not earned, are reported as deferred revenue.

Estimates

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

SARVODAYA U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials, Facilities, and Services

Donated materials and facilities are recorded at their estimated fair values in the period received. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

The criteria for recognition in the financial statements of donated services have not been met. Accordingly, no amounts have been reflected in the financial statements. However, many individuals volunteer their time and perform a variety of tasks to assist Sarvodaya U.S.A. in its program and support services. Sarvodaya U.S.A. estimates that it received more than 2,000 volunteer hours valued at \$20,000 in 2005. In addition, 6.3 million frequent flyer miles were received of which approximately 3 million were used in 2005. No objective value is available for these miles.

Functional Expenses

The costs of providing the various 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 program services are included in the accompanying financial statements:

Sri Lanka Aid – Grants to make a positive difference to the lives of rural Sri Lankans. Grants primarily support post-tsunami recovery and initiatives to improve the lives of the rural poor such as community tourism, enterprise development, and microfinance.

United States Education – Speakers in the U.S. and travel tours to Sri Lanka to introduce Americans to the Sarvodaya Shramadana Movement and encourage this model of individual and community empowerment.

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.

NOTE 2 - 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 3 - LEASE

Sarvodaya U.S.A. leases office space on a month-to-month basis for \$500 per month. Rent expense for 2005 was \$5,700.