

**SARVODAYA U.S.A. CORPORATION**

**FINANCIAL STATEMENTS**

December 31, 2010 and 2009

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of Sarvodaya U.S.A. Corporation (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Sarvodaya U.S.A. Corporation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Wegner LLP*

Wegner LLP  
Madison, Wisconsin  
February 23, 2011



**SARVODAYA U.S.A. CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
Cash	\$ 68,252	\$ 51,135
Accounts receivable	-	1,105
Unconditional promises to give - net	38,400	55,328
<b>Total assets</b>	<b>\$ 106,652</b>	<b>\$ 107,568</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,818	\$ 1,695
<b>NET ASSETS</b>		
Undesignated	44,173	26,843
Board designated	20,000	10,462
Total unrestricted	64,173	37,305
Temporarily restricted	40,661	68,568
Total net assets	104,834	105,873
<b>Total liabilities and net assets</b>	<b>\$ 106,652</b>	<b>\$ 107,568</b>

See independent accountant's review report and accompanying notes.

**SARVODAYA U.S.A. CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2010 and 2009

	2010	2009
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 244,407	\$ 87,241
Other income	10,236	2,669
Total unrestricted support and revenue	254,643	89,910
<b>EXPENSES</b>		
Program services		
Sri Lanka	56,956	62,765
Nepal	78,827	16,752
United States	34,458	25,686
Total program services	170,241	105,203
Supporting activities		
Management and general	23,099	23,445
Fundraising	110,855	41,757
Total supporting activities	133,953	65,202
Total expenses	304,194	170,405
Net assets released from restrictions	76,419	79,304
Change in unrestricted net assets	26,868	(1,191)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	48,512	118,883
Net assets released from restrictions	(76,419)	(79,304)
Change in temporarily restricted net assets	(27,907)	39,579
<b>Change in net assets</b>	(1,039)	38,388
Net assets- beginning of year	105,873	67,485
<b>Net assets - end of year</b>	<u>\$ 104,834</u>	<u>\$ 105,873</u>

See independent accountant's review report and accompanying notes.

**SARVODAYA U.S.A. CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended December 31, 2010 and 2009

	Program Services			Supporting Activities			2010 Total Expenses
	Sri Lanka Program	Nepal Program	United States Outreach Program	Total Program Services	Management and General	Fundraising	
Specific project grants	\$ 42,300	\$ 62,712	\$ -	\$ 105,012	\$ -	\$ -	\$ 105,012
Publicity	-	-	-	-	-	87,384	87,384
Personnel	9,904	9,904	9,904	29,712	13,664	16,915	60,291
Travel	4,752	6,211	8,957	19,920	1,066	2,131	22,051
Other operating expenses	-	-	4,652	4,652	3,086	4,123	11,861
Printing	-	-	6,940	6,940	867	867	8,674
Professional services	-	-	-	-	3,916	-	3,916
Occupancy	-	-	2,458	2,458	307	307	3,072
Insurance	-	-	1,547	1,547	193	193	1,933
	\$ 56,956	\$ 78,827	\$ 34,458	\$ 170,241	\$ 23,099	\$ 110,855	\$ 304,194

	Program Services			Supporting Activities			2009 Total Expenses
	Sri Lanka Program	Nepal Program	United States Outreach Program	Total Program Services	Management and General	Fundraising	
Specific project grants	\$ 53,209	\$ 4,550	\$ -	\$ 57,759	\$ -	\$ -	\$ 57,759
Publicity	-	-	-	-	-	12,109	12,109
Personnel	8,927	8,927	8,926	26,780	11,996	9,513	48,289
Travel	629	3,275	2,363	6,267	841	535	7,643
Other operating expenses	-	-	7,424	7,424	3,051	18,728	29,203
Printing	-	-	3,037	3,037	380	380	3,797
Professional services	-	-	-	-	6,685	-	6,685
Occupancy	-	-	2,380	2,380	298	298	2,976
Insurance	-	-	1,556	1,556	194	194	1,944
Total expenses	\$ 62,765	\$ 16,752	\$ 25,686	\$ 105,203	\$ 23,445	\$ 41,757	\$ 170,405

See independent accountant's review report and accompanying notes.

**SARVODAYA U.S.A. CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,039)	\$ 38,388
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Discount on promises to give	(1,152)	1,752
Allowance for uncollectible promises to give	(1,920)	2,920
(Increase) decrease in accounts receivable	1,105	(1,105)
(Increase) decrease in promises to give	20,000	(57,500)
Increase in accounts payable and accrued expenses	123	503
<b>Net cash provided by (used in) operating activities</b>	<u>17,117</u>	<u>(15,042)</u>
Cash - beginning of year	<u>51,135</u>	<u>66,177</u>
<b>Cash - end of year</b>	<u><u>\$ 68,252</u></u>	<u><u>\$ 51,135</u></u>

See independent accountant's review report and accompanying notes.

**SARVODAYA U.S.A. CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

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Sarvodaya U.S.A. Corporation 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. Sarvodaya U.S.A.'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**

Sarvodaya U.S.A. is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by Sarvodaya U.S.A. in perpetuity.

**Promises to Give**

Unconditional promises to give consist of contributions due from individuals and foundations. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

On a periodic basis, Sarvodaya U.S.A. provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. For 2010 and 2009, management recorded an allowance for uncollectible amounts of 5% of unconditional promises to give receivable in more than one year.

**Contributions**

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 and reported in the statements of activities as net assets released from restrictions.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses for 2010 and 2009 were \$87,384 and \$12,109, of which \$86,117 and \$12,049 were received as in-kind donations.

**SARVODAYA U.S.A. CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

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NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 Sarvodaya U.S.A. with specific programs. Sarvodaya U.S.A. estimates that it received more than 1,800 and 15,000 volunteer hours valued at \$18,000 and \$150,000 in 2010 and 2009.

**Expense Allocation**

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

**Sri Lanka Program**—Sarvodaya U.S.A. works in many different aspects in Sri Lanka to support the Sarvodaya Shramadana movement there. The grants support emergency relief efforts and conflict resolution and peace-building activities, as well as specific housing projects and welfare centers such as day care centers, nutritional centers, orphanages, vocational training centers, homes for the elders, homes for teenage mothers and their babies, and a school for the deaf.

**Nepal Program**—Sarvodaya U.S.A. helps support The Jyotidaya Co-operative School, located in Katmandu Valley, which is based on the principles of the Sarvodaya Shramadana movement and seeks to provide a middle path between the extremes of expensive private school and low-quality public education. Jyotidaya serves some of the most under privileged population in Chapagaun and surrounding villages. More than 40 orphans and children from economically disadvantaged families receive free education despite severe disparities in resource attainment.

**United States Outreach Program**—Because the principles promoted by the Sarvodaya Shramadana movement can be practiced anywhere in the world, Sarvodaya U.S.A. works to educate others and raise awareness by speaking tours, books, curriculum, and other products available to schools, universities, community service groups, religious congregations, and the public at large.

**Management and General**—These activities include the functions necessary to ensure an adequate working environment, manage the financial and budgetary responsibilities of Sarvodaya U.S.A., and represent it within the community.

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

**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.

**SARVODAYA U.S.A. CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

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NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

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. However, income from certain activities not directly related to Sarvodaya U.S.A.'s tax-exempt purpose is subject to taxation as unrelated business income. Sarvodaya U.S.A.'s federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, Sarvodaya U.S.A. is no longer subject to such examinations for years before 2007.

**Date of Management's Review**

Management has evaluated subsequent events through February 23, 2011, the date which the financial statements were available to be issued.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 — UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Amounts receivable in		
Less than one year	\$ 20,000	\$ 20,000
One to five years	20,000	40,000
Promises to give	40,000	60,000
Less discount to net present value	600	1,752
Less allowance for uncollectible amounts	1,000	2,920
Unconditional promises to give - net	\$ 38,400	\$ 55,328

Unconditional promises to give receivable in more than one year were discounted at 3% for 2010 and 2009.

NOTE 3 — OPERATING LEASE

Sarvodaya U.S.A. has a lease for its office space through December 2011 for \$263 per month. Rent expense for 2010 and 2009 was \$3,072 and \$2,976.

**SARVODAYA U.S.A. CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 4 — NET ASSETS**

Board designated net assets at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Kutumba music travel	\$ 20,000	\$ -
Micro-enterprise development programs in Nepal	-	7,462
Training and capacity building in Nepal	-	3,000
Board designated net assets	\$ 20,000	\$ 10,462

Temporarily restricted net assets at December 31, 2010 and 2009 were available for the following purposes or periods:

	2010	2009
<b>Sri Lanka Program</b>		
Peace projects	\$ -	\$ 4,585
Emergency relief	-	3,256
Women's empowerment	146	3,146
Suwasetha program for the needy	630	397
Ma-Sevana teenage mothers home	-	284
Community capacity	164	112
Sarvodaya Sri Lanka fund	-	74
Tsunami relief	-	45
Other projects	-	14
<b>Nepal Program</b>		
Disaster relief	-	1,057
Children sponsorship	1,321	270
<b>Time restrictions</b>		
For subsequent years' activities	38,400	55,328
Temporarily restricted net assets	\$ 40,661	\$ 68,568

**NOTE 5 — ECONOMIC DEPENDENCY**

Sarvodaya U.S.A. received approximately 33% of its revenue in 2010 as an award from Chase Bank. A significant reduction in the amount of this support may have an adverse effect on the organization's programs and activities.