

SEWA INTERNATIONAL INC., USA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019



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SEWA INTERNATIONAL INC., USA

YEARS ENDED December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Sewa International Inc., USA, a Georgia nonprofit corporation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, statements of functional expenses, and statements of cash flows for the years 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 for nonprofit organizations 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 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 audits 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 auditors' 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 auditors consider 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 Sewa International Inc., USA, as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted for nonprofit organizations in the United States of America.

Bankole, Okoye & Associates PC

Bankole, Okoye & Associates PC
Houston, Texas
July 21, 2021

Financial Statements

SEWA INTERNATIONAL INC., USA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,438,310	\$ 1,169,288
Investments (Note 3)	7,297,146	6,966,726
Accounts receivable	47,728	14,413
Prepaid expenses	925	2,710
Other assets	1,000	5,000
Property and equipment, net (Note 4)	<u>1,790</u>	<u>10,053</u>
TOTAL ASSETS	<u>\$ 9,786,899</u>	<u>\$ 8,168,190</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 42,925	\$ 44,934
Refundable advance (Note 5)	<u>77,142</u>	<u>-</u>
Total liabilities	<u>120,067</u>	<u>44,934</u>
NET ASSETS		
Net assets without donor restrictions:		
<i>Designated by the Board for Endowment</i> (Note 9)	6,763,425	6,539,199
<i>Undesignated</i>	<u>821,455</u>	<u>176,267</u>
Total net assets without donor restrictions	7,584,880	6,715,466
Net assets with donor restrictions (Note 7)	<u>2,081,952</u>	<u>1,407,790</u>
Total net assets	<u>9,666,832</u>	<u>8,123,256</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,786,899</u>	<u>\$ 8,168,190</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 (Note 7)	<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
Management and general	146,215	-	146,215
Fundraising	<u>76,166</u>	<u>-</u>	<u>76,166</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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS & OTHER SUPPORTS			
Contributions	\$ 3,293,527	\$ 3,439,483	\$ 6,733,010
Events registration and related revenues	138,946	-	138,946
Inkind revenues	384,338	-	384,338
Return on investments, net (Note 3)	716,066	-	716,066
Government grant revenue	13,525	-	13,525
Other income	36,470	-	36,470
Net assets released from restrictions:			
Satisfaction of purpose restrictions	3,851,107	(3,851,107)	-
Reclassifications of resources based on fund classification policy	<u>(89,450)</u>	<u>89,450</u>	<u>-</u>
Total revenues, gains and other supports	<u>8,344,529</u>	<u>(322,174)</u>	<u>8,022,355</u>
EXPENSES:			
Program services	4,442,434	-	4,442,434
Management and general	165,033	-	165,033
Fundraising	<u>138,879</u>	<u>-</u>	<u>138,879</u>
Total expenses	<u>4,746,346</u>	<u>-</u>	<u>4,746,346</u>
CHANGE IN NET ASSETS	3,598,183	(322,174)	3,276,009
NET ASSETS, BEGINNING OF YEAR	<u>3,117,283</u>	<u>1,729,964</u>	<u>4,847,247</u>
NET ASSETS, END OF YEAR	<u>\$ 6,715,466</u>	<u>\$ 1,407,790</u>	<u>\$ 8,123,256</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 Service	Management and General	Fundraising	Total
Charitable Donations	\$ 1,757,190	\$ -	\$ -	\$ 1,757,190
Donations of Food Items (includes inkind of \$138,358)	361,162	-	-	361,162
Materials and Supplies (includes inkind of \$17,830)	598,273	95	8,816	607,184
Death & Distress Expenses	352,654	-	-	352,654
Rehabilitation and Rebuilding	35,027	-	-	35,027
Professional Services	132,318	12,398	18,000	162,716
Leasing and Rentals (includes inkind of \$19,740)	60,994	281	4,118	65,393
Payroll Expenses	329,759	70,180	2,968	402,907
Payroll Taxes	16,834	15,116	236	32,186
Contract Services	89,025	-	-	89,025
Travels, Lodging and Meals	4,365	-	7,593	11,958
Bank Charges and Service Fees	40,915	5,618	12,206	58,739
Advertising and Promotional Expenses	19,700	15,410	15,300	50,410
Printing, Stationery, and Office Expenses	6,358	2,202	556	9,116
Registration Fees and Expenses	1,984	1,408	-	3,392
Utilities and Telephones (includes inkind of \$2,520)	7,677	2,652	-	10,329
Other Expenses (includes inkind of \$3,552)	4,082	5,480	5,004	14,566
Insurance	5,749	2,645	225	8,619
Repairs and Maintenance	6,135	4,467	-	10,602
Shipping Charges	3,321	-	1,144	4,465
Depreciation	-	8,263	-	8,263
TOTAL EXPENSES	<u>\$ 3,833,522</u>	<u>\$ 146,215</u>	<u>\$ 76,166</u>	<u>\$ 4,055,903</u>

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

SEWA INTERNATIONAL INC., USA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Service	Management and General	Fundraising	Total
Charitable Donations	\$ 3,020,300	\$ -	\$ -	\$ 3,020,300
Donations of Food Items	33,710	-	-	33,710
Materials and Supplies	24,652	1,462	5,992	32,106
Death & Distress Expenses	39,973	-	-	39,973
Rehabilitation and Rebuilding	315,045	-	-	315,045
Professional Services	162,264	18,210	18,000	198,474
Leasing and Rentals	58,235	13,200	49,502	120,937
Payroll Expenses	202,265	82,705	21,375	306,345
Payroll Taxes	15,098	4,655	3,683	23,436
Contract Services	98,394	-	-	98,394
Travels, Lodging and Meals	25,268	1,561	23,699	50,528
Artists' Fees and Expenses	-	-	806	806
Bank Charges and Service Fees	24,476	398	11,239	36,113
Advertising and Promotional Expenses	14,968	5,379	1,236	21,583
Printing, Stationery, and Office Expenses	7,196	11,910	1,931	21,037
Registration Fees and Expenses	2,506	4,758	560	7,824
Utilities and Telephones	10,193	1,615	-	11,808
Other Expenses	3,041	2,208	-	5,249
Insurance	6,357	3,075	-	9,432
Repairs and Maintenance	9,654	8,677	-	18,331
Shipping Charges	7,301	193	456	7,950
Booth Setup	-	-	400	400
Inkind Expenses	361,538	-	-	361,538
Depreciation	-	5,027	-	5,027
TOTAL EXPENSES	\$ 4,442,434	\$ 165,033	\$ 138,879	\$ 4,746,346

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

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STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,543,576	\$ 3,276,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,263	5,027
Changes in operating assets and liabilities:		
Accounts receivable	(33,315)	(13,963)
Prepaid expenses	1,785	14,697
Other assets	4,000	(5,000)
Accrued liabilities	(2,009)	7,125
Total adjustment	(21,276)	7,886
Net cash provided by operating activities	<u>1,522,300</u>	<u>3,283,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(330,420)	(3,221,791)
Purchases of property and equipment	<u>-</u>	<u>(5,370)</u>
Net cash used in investing activities	<u>(330,420)</u>	<u>(3,227,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from EIDL and PPP loan programs	86,142	-
Net payment on long-term debt	<u>(9,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>77,142</u>	<u>-</u>
Net increase in cash and cash equivalents	1,269,022	56,734
Cash and cash equivalents, beginning of year	<u>1,169,288</u>	<u>1,112,554</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,438,310</u>	<u>\$ 1,169,288</u>

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

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

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 reports its financial activities on the accrual basis of accounting. 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, *Financial Statements of Nonprofit Organizations*, as updated. 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.
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

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

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 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. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The Organization did not have any conditional promises to give as of December 31, 2020 or 2019. Contributions of assets other than cash are recorded at their estimated fair value at the date of the contribution. Contributions with donor-restrictions 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.

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.

Donated Services and Materials

In accordance with FASB ASC Topic 958-605, *Non-for-Profit Entities - Accounting for Contributions Received and Contributions Made*, donated materials and 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) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

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 \$0 and \$361,538, for the years ended December 31, 2020 and 2019, respectively, which are included in inkind revenues and program services expenses in the statements of activities.

The Organization also recorded inkind revenues comprising various consumables and supplies valued at \$161,743 in 2020, which the Organization donated to various communities as part of its COVID-19 relief efforts. Total of \$157,063 of this is included in program services expenses and \$4,680 is included in the fundraising expenses in the statements of 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, 2020 and 2019, the Organization has recorded a total of \$22,260 and \$34,300, respectively, for donated facilities and utilities, which are included in inkind 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,
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 Organization's programs and activities. The Organization's core programs are described in Note 2.

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

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, 2020 or 2019. 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. Proceeds from sales of stocks and other marketable securities, 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).

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: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Less observable or unobservable inputs that are supported by little or no market activity.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

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 May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenues from contracts with customers. The Organization adopted the standard in the year ended December 31, 2019 which was the applicable effective period. The Organization's activities that generate revenues involve single delivery elements, and revenue is recognized at a single point in time when donations and unconditional promises to give are received. The Organization does not sell goods or services, and does not have contract-based revenues. The timing of revenue recognition in 2020 and 2019 was not affected by the new standard.

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. The implementation of this new standard, which will become effective for the Organization's 2021 financial statements, would result in the following new accounting requirements:

1. Measurement and recording of the "right-of-use asset" and the corresponding lease liability at the present value of the lease future payments based on the term of the lease;
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
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

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

ended December 31, 2020 and 2019. 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 2017 through 2019 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, 2020 and 2019, was \$50,410 and \$21,583, respectively.

2. 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 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.

SEWA INTERNATIONAL INC., USA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 and 2019

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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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, 2020 and 2019:

	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

	Fair Value Measurement as at December 31, 2019, 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	\$ 3,430,830	\$ -	\$ -	\$ 3,430,830	\$ 3,430,828
Mutual Funds	2,203,532	-	-	2,203,532	1,863,460
Equity Securities	391,315	-	-	391,315	300,923
Hedge Funds	-	500,000	-	500,000	500,000
Other ETPs	241,049	-	-	241,049	275,341
Investments carried at fair value	6,266,726	500,000	-	6,766,726	6,370,552
Non-marketable convertible foreign securities	-	-	200,000	200,000	200,000
Total Investments at 12/31/2019	\$ 6,266,726	\$ 500,000	\$ 200,000	\$ 6,966,726	\$ 6,570,552

Non-marketable convertible foreign securities consist of investment in compulsorily convertible preference shares of a privately held Indian non-government (aka NGO) company, without readily determinable market values. The securities were acquired in 2019. The Organization adopted Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and ASU No. 2018-03, *Technical Corrections and Improvements to ASU No. 2016-01*, in 2019. 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

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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 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. Exchange loss of \$19,034 was included in the valuation at December 31, 2020. No significant exchange loss was observed as of December 31, 2019.

The Organization's financial instruments are exposed to various risks such as custodial credit risks which are described in greater details in Note 4, interest rate risks, and market risks.

All assets have been valued using a market approach at December 31, 2020 and 2019 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, 2020 and 2019.

The following schedule summarizes investment returns in the statements of activities:

	<u>2020</u>	<u>2019</u>
Interest and dividend incomes	\$ 102,318	\$ 129,737
Net realized and unrealized gain	<u>336,079</u>	<u>586,329</u>
Net return on investments	<u>\$ 438,397</u>	<u>\$ 716,066</u>

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31, 2020 and 2019:

	<u>Balance</u>			<u>Balance</u>
	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>
Office equipment	\$ 21,680	\$ -	\$ -	\$ 21,680
Furnitures	<u>1,689</u>	<u>-</u>	<u>-</u>	<u>1,689</u>
Total cost	23,369	-	-	23,369
Accumulated depreciation	<u>(13,316)</u>	<u>(8,263)</u>	<u>-</u>	<u>(21,579)</u>
Property and equipment, net	<u>\$ 10,053</u>	<u>\$ (8,263)</u>	<u>\$ -</u>	<u>\$ 1,790</u>

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$8,263 and \$5,027, respectively.

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5. REFUNDABLE ADVANCE

The spread of the coronavirus disease (“COVID-19”) around the world in 2020 caused significant volatility and disruptions of life and economic activities around the world including here in the United States. Both the United States and the World Health Organization separately declared the COVID-19 a pandemic in March 2020. In response to the economic fallout of the COVID-19 pandemic in the United States, the Federal Government established the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in March 2020. The Act included, among other things, the creation of the Paycheck Protection Program (“PPP”) that provides forgivable loans to small businesses including nonprofit organizations. 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 remaining portion of the loan proceeds could be used to pay for approved expenses like utilities, rent, operations expenditures, and worker protection expenditures during the covered period. Borrowers may also have to demonstrate that they experienced revenue reductions caused by the COVID-19 pandemic during the relevant period, to receive loan forgiveness.

The CARES Act also included the creation of the Economic Injury Disaster Loan (“EIDL”) program that allowed the Small Business Administration (“SBA”) to provide long-term direct loans to help small businesses, including nonprofit organizations, meet financial obligations and operating expenses that could have been met had the COVID-19 disaster not occurred.

In 2020, the Organization participated in both the EIDL and the PPP loan programs. The following are the Organization’s loan activities under the EIDL and the PPP loan programs for the year ended December 31, 2020:

<u>DESCRIPTION OF LOAN ACTIVITY</u>	<u>Outstanding Balance as of December 31, 2020</u>
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.	\$ -
On April 28, 2020, the Organization received a refundable advance in the amount of \$77,142 from a local bank (the “Lender”) under the PPP loan program. The loan bears a 1% interest rate and is due for full repayment by April 28, 2022. In accordance with the terms of the loan, as permitted by the PPP program provisions, principal and interest payments are accrued and deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the Lender. If a borrower does not apply for loan forgiveness, payments of the loan and accrued interest are deferred for up to 10 months after the end of the covered period for the borrower’s loan forgiveness. The applicable covered period for the Organization was March 16, 2020 through May 31, 2020. As more fully described in Note 11, the Organization’s application for loan forgiveness was approved by the SBA on February 28, 2021.	77,142
Total refundable advance as of December 31, 2020	<u>\$ 77,142</u>

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6. CONCENTRATIONS

Concentrations of Custodial and Credit Risks

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. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are not 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, 2020 and 2019, the Organization's deposit balances with certain financial institutions exceeded the FDIC insured limit by a combined total of approximately \$1,834,545 and \$741,000, 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, 2020 and 2019.

The Organization invested in U.S. marketable securities, including stocks, mutual funds, and other investment instruments described in Note 3. These investments valued at \$7,297,149 and \$6,966,726 as December 31, 2020 and 2019, respectively, which included cash components of \$369,124 and \$427,012 at December 31, 2020 and 2019, 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 mandatorily convertible preference shares of an overseas private nonprofit company, which were reported at \$270,886 and \$200,000 at December 31, 2020 and 2019, respectively. This asset is subject to exchange rate risks in addition to market and custodial risks. This asset is not otherwise insured.

Concentrations of Revenue Sources

In the years ended December 31, 2020 and 2019, 23% and 64%, respectively, of the Organization's total contributions revenue was provided by no more than three sources. It is always considered reasonably possible that contribution sources might be lost in the near term.

Operations Outside the United States of America

In the years ended December 31, 2020 and 2019, approximately 45% and 66%, respectively, of the Organization's program service expenses were for activities outside the United States.

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7. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, the total net assets with donor-restrictions in terms of the purpose and/or the timing of their use were \$2,081,952 and \$1,407,790, respectively. The following table identifies the composition of net assets with donor-restrictions, by purpose and by region, as of December 31, 2020 and 2019, as well as the net assets released from restrictions through expenses in the current year:

Program/Purpose	Region	Balance at 12/31/2019	Additions in 2020	Spending in 2020	Balance at 12/31/2020
Child Welfare	India	\$ 3,298	\$ 19,994	\$ 19,184	\$ 4,108
Disaster Relief	India	510,215	410,329	427,338	493,205
Education	India	193,471	700,613	667,914	226,170
Family Services	India	97,305	129,342	39,519	187,128
Health & Hygiene	India	30,943	133,241	109,157	55,027
Other Projects	India	-	30,000	15,000	15,000
Rural Development	India	31,075	167,476	197,391	1,160
Volunteer Service	India	19,316	206,912	154,898	71,330
Disaster Relief	Africa	-	5,000	-	5,000
Family Services	South America	20,000	-	-	20,000
Family Services	South Asia	50,000	59,090	59,090	50,000
Disaster Relief	USA	190,806	1,883,923	1,720,509	354,220
Education	USA	239,371	548,622	232,611	555,382
Family Services	USA	15,929	-	15,929	-
Volunteer Service	USA	6,061	52,410	14,249	44,222
Total Net Assets with Donor-Restrictions		<u>\$ 1,407,790</u>	<u>\$ 4,346,952</u>	<u>\$ 3,672,789</u>	<u>\$ 2,081,952</u>

8. COMMITMENTS

Loan Commitment

In December 2020, the Board of the Organization approved a temporary loan of \$450,000 to Aum Education Society of America, a nonprofit organization in San Antonio, Texas, whose mission is to integrate Dharmic values as part of daily learning experience in early childhood and elementary education curricula in the Hindu-American community. The loan, which has not yet been disbursed, will be treated as an investment asset of the Board-designated endowment fund and will bear 6% interest rate and be repayable in about one year.

Lease Commitment

The Organization leases facilities for warehousing of program supplies, fundraising events, residential facilities for some of its program sites in Houston, Texas, and office space. 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

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2020 and 2019. 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>
2021	\$ 15,250
2022	<u>6,000</u>
	<u>\$ 21,250</u>

Total rental expenses, including inkind rental expenses, for the years ended December 31, 2020 and 2019, was \$65,393 and \$120,937, respectively.

9. 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 \$4,345,667 received from the same family since the establishment of this quasi endowment fund have been added 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 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

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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, 2020, were as follows:

	<u>Board-Designated Endowment</u>
Balance at December 31, 2019	<u>\$ 6,539,199</u>
Summary of current year activity:	
Realized investment income	102,318
Net change in investments fair value	336,079
Amount appropriated for expenditures	<u>(214,171)</u>
Net change in the board-designated endowment fund	<u>224,226</u>
Ending balance at December 31, 2020	<u>\$ 6,763,425</u>

10. LIQUIDITY MANAGEMENT

The Organization has \$942,362 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, 2020</u>
Cash and cash equivalents	\$ 2,438,310
Accounts receivable	47,728
Investments	<u>7,297,146</u>
Financial assets at year-end	9,783,184
Less those unavailable for general expenditures within one year, due to:	
- Internal limit from Board designated endowment fund	(6,763,425)
- Resources restricted by donors for specific programs	<u>(2,081,952)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 937,807</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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11. SUBSEQUENT EVENTS

On February 18, 2021, the Organization received a written notification from the SBA, indicating that the SBA had approved the full forgiveness of the \$77,142 PPP loan described in Note 5 and any accrued interest thereon. With this confirmation, the Organization will report the \$77,142 as a contribution revenue in its 2021 financial statements.

On February 5, 2021, the Organization drew additional \$69,578 of the PPP loan (Loan 2) and signed a promissory note to the Lender. This new draw bears interest at 1.00% per annum and is due for final repayment by February 5, 2026, unless forgiven by the SBA. To become eligible for loan forgiveness, the proceeds of Loan 2 must be used for payroll costs (at least 60% of the loan) and other allowable business expenses.

Management has evaluated subsequent events through July 21, 2021. 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.