

SUSILA DHARMA INTERNATIONAL ASSOCIATION

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared By

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SUSILA DHARMA INTERNATIONAL ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Susila Dharma International Association

We have audited the accompanying financial statements of Susila Dharma International Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities and changes in net assets and cash flow 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 audits. 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 Susila Dharma International Association as of December 31, 2018, 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.

Branch, Richards & Co., P.S.

Seattle, Washington
July 25, 2019

SUSILA DHARMA INTERNATIONAL ASSOCIATION

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

	<u>2018</u>
<u>ASSETS</u>	
Cash and cash equivalents (Note 2)	\$ 572,132
Advances	3,000
Marketable securities, at Market Value (Note 2)	<u>854,189</u>
Total assets	<u><u>\$ 1,429,321</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Accounts payable	\$ 6,441
Deferred revenue	<u>2,769</u>
Total liabilities	<u>9,210</u>
Net Assets	
Net assets without donor restriction	912,536
Net assets with donor restriction	<u>507,575</u>
Total net assets	<u><u>1,420,111</u></u>
Total liabilities and net assets	<u><u>\$ 1,429,321</u></u>

SUSILA DHARMA INTERNATIONAL ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Totals 2018
<u>Revenues, grants and Other Support</u>			
Foundation and trusts	\$ 333	\$ 20,441	\$ 20,774
Individual and group donations	29,363	14,412	43,775
SD nationals	29,708	56,234	85,942
Membership dues	700	-	700
Investment return	(41,588)	-	(41,588)
	<u>18,516</u>	<u>91,087</u>	<u>109,603</u>
Released from restrictions	3,612	(3,612)	-
Total public support and revenue	<u>22,128</u>	<u>87,475</u>	<u>109,603</u>
<u>Expenses</u>			
Program services			
Direct grants	-	101,581	101,581
Research and publications	19,616	4,500	24,116
Support to project management	4,798	46,555	51,353
Granting and financial support	17,259	8,019	25,278
Links to other organizations	14,751	9,943	24,694
Management and administration			
Board expenses	5,250	-	5,250
Brokerage fees	2,271	-	2,271
Foreign exchange gain (loss)	7,125	-	7,125
Executive director	7,000	-	7,000
Assistant director	4,333	-	4,333
Bookkeeping	5,000	-	5,000
Office and miscellaneous	5,802	83	5,885
Professional Services	7,000	-	7,000
Total expenses	<u>100,205</u>	<u>170,681</u>	<u>270,886</u>
Change in net assets	(78,077)	(83,206)	(161,283)
Net assets, beginning of year	<u>990,613</u>	<u>590,781</u>	<u>1,581,394</u>
Net assets, end of year	<u>\$ 912,536</u>	<u>\$ 507,575</u>	<u>\$ 1,420,111</u>

SUSILA DHARMA INTERNATIONAL ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
Cash flows from operating activities:	
Change in net assets	\$ (161,283)
Change in market value investments (unrealized)	134,616
Gain on sale of investments (realized)	(67,605)
Cash provided/(used) by changes in operating assets and liabilities:	
Unconditional promises to give	4,777
Advances	16,290
Accounts payable	4,588
Deferred revenue	2,719
Net cash provided (used) by operating activities	<u>(65,898)</u>
Cash flows from Investing activities:	
Purchase of investment securities	(841,361)
Sales of investment securities	900,715
Net cash provided (used) by investing activities	<u>59,354</u>
Net increase/(decrease) in cash & cash equivalents	<u>(6,544)</u>
Cash at beginning of year	<u>578,676</u>
Cash at end of year	<u><u>\$ 572,132</u></u>

Supplemental information:

The Organization did not pay any interest or income taxes during the periods presented.

SUSILA DHARMA INTERNATIONAL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION, PURPOSE, AFFILIATIONS AND TAX STATUS

Susila Dharma International Association Inc. (the Association or SDIA), a non-profit tax-exempt corporation, was incorporated November 30, 1994, in the commonwealth of Virginia, United States of America. The Association was created to relieve human suffering and to facilitate and support sustainable development in partnership with people who are developing projects that meet local needs and respect local customs and the environment. Its mission is to relieve human suffering and promote just and sustainable development through:

- Partnerships and support for grassroots, participatory development and humanitarian initiatives;
- Empowering individuals and communities to engage in positive human, social and economic change;
- Raising awareness of global issues and interdependence.

SDIA is a member-based association of 22 Susila Dharma (SD) national organizations (voting members) and 34 local projects (associate members) in 28 countries. During 2018, fourteen Susila Dharma national paid membership fees totaling \$700. In addition, thirteen Susila Dharma national organizations contributed \$85,926 in unrestricted and temporarily restricted support during 2018. In addition to providing support to SDIA's operations, SD national organizations are often involved in fundraising and support activities and the management and oversight of projects within their countries.

Certain members of the SDIA board of directors are also members of the SD national organizations. In 2018, SDIA had on its Board the Chairpersons of SD Britain, SD Germany, SD Netherlands, and SD USA, ensuring a strong relationship between nationals, projects and the international body.

INCOME TAXES

On March 1, 1997, the Association was granted tax-exempt status as a section 501(c)(3) organization, effective November 30, 1994, and recognized as a publicly supported organization by the United States Internal Revenue Service. This was confirmed in a letter dated June 4, 1999. Accordingly, no provision has been made for U.S.A. federal or state income taxes.

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

BASIS OF PRESENTATION

These financial statements have been prepared to focus on SDIA and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- (a) Net assets without donor restrictions are not subject to donor-imposed restrictions.
- (b) Net assets with donor restrictions are comprised of 1) donations which have been designated for specific social projects and services and are recognized as revenue in the period in which the expenditures have been made. When the planned costs of these specific projects and services exceed designated donations, the excess is covered from unrestricted revenues. 2) Endowments are comprised of donations that have been designated by the donors or by the Board of Directors to be retained and only the income is used for general or specific purposes. Donor designated restrictions are a minor portion of the total endowment fund. As such, the endowment fund is reported as temporarily restricted since the large majority of the fund is available for expenditure if approved by the SDIA Board of Directors. The endowment fund includes permanently restricted funds that requires the principal to remain intact in the amount of \$17,500. This amount has been reflected as permanently restricted net assets in the Statement of Financial Position. Income earned on the fund is allocated to unrestricted or restricted funds based on Board action.

SDIA does not own real estate. All operations are performed from contractors' sites of operations.

SUPPORT, REVENUE AND PLEDGES

All contributions to the Association are considered to be available for unrestricted use unless specifically restricted by the donor.

VOLUNTEERS

The Association benefits from donated services in the form of volunteer labor. Donated services are not recorded in the financial records of the Association or reported in these financial statements.

CONTRACTORS

The Association accomplished its goals without employees. Instead, the Association contracts with individuals with specific skills to perform tasks needed for the operation of the Association. These individuals are under contract to perform specific tasks including general management, accounting, fundraising, communications, grant management and other tasks. These individual contractors perform their services and bill for their time and cost in accordance with their contract which is based on the annual budget. These contractors, collectively charged \$60,500, of which \$43,500 was incurred for program purposes and the remainder of \$17,000 was charged for management and general costs. Fundraising is a very minor portion of consultants' required activities. Included in program costs are approximately \$3,000 in allocated contractor costs associated with fundraising activities.

PROGRAMS AND FUNDS

The Association's resources are classified for accounting and financial reporting purposes into funds according to their nature and purpose.

The Association's expenses are reported in two major functional classifications. The Program Services functional classification is used to report all costs related to the services provided to members and includes payments for direct grants and payments to consultants for program services. The Management and Administration functional classification is used to report all costs related to Association management including professional fees and insurance. There are allocations of costs between these two functional classifications as is described under the Contractors disclosure above.

DONATIONS HELD IN TRUST

Member organizations sometimes receive donations designated to the Association. These funds may be held by the member organization until the Association determines how they should be spent. The member organizations will then make direct payments toward the selected projects. The Association recognizes the donation revenue when reported by the member organization and the related expenditure at the time payment is made. Otherwise, donations held by member organizations are not reflected in the Association's financial statements.

CURRENCY PRESENTATION

These statements are presented in U.S. dollars. Conversion from Canadian dollars, Euros or British Pounds is based on the exchange rate at year end for current assets and liabilities, and on the exchange rate at the date of individual transactions. Revenues and expenditures not denominated in US dollars are converted at the exchange rate on the date of the specific transaction or by the average rate of exchange for the month when the transaction occurred.

ESTIMATES

The presentation 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.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, SDIA considers all highly liquid investments available for current use within an initial maturity of three months or less to be cash equivalents.

INVESTMENTS

Investment in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position as provided by the investment advisors. Unrealized gains and losses are included in the change in net assets reported in the Statement of Activities. Investment income and gains and donations restricted by a donor are reported as increases in unrestricted net assets if the restricted are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Since all investments are held in exchange traded funds, closed-end mutual funds and other mutual fund type of investments, the market value is readily determinable.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to SDIA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTE 2 – CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

SDIA maintains checking accounts with the Bank of Montreal in both \$US and \$Canadian denominated funds for its operational purposes. SDIA also maintains PayPal accounts denominated in \$US, \$Canadian, British Pounds, and Euros to allow for contributions in various currencies. A small portion of temporarily restricted endowment funds is also contained in cash and money market funds with Morgan Stanley and CIG Investments. All amounts have been converted to \$US in the presentation of these financial statements. Cash equivalents include money market funds held by Fidelity, CIG Investments and ING- Tangerine Savings. SDIA's investment policy is to maintain the integrity and growth of the Endowment Fund according to the best advice available to the SDI Board and Investment Sub-Committee, while insuring that SDIA's operational, strategic and long-term funding needs are met; and ensuring the use of all SDIA Funds and Investments are in line with the stipulations of donors and the purposes for which they were established. SDI is committed to making ethical investments. SDIA shall endeavor to avoid investments in armaments or armament-related industries, tobacco, or other companies engaged in activities which are not in harmony with the aims of SDI.

All cash, cash equivalents and investments presented below are based on market values provided by the investment providers, which are level one observable inputs. There are no observable inputs that are other than level one. The following presents the individual accounts comprising the cash, cash equivalents, and marketable securities as of December 31, 2018:

Cash and Cash Equivalents

Bank of America	\$ 23,646
Bank of Montreal \$US	387,729
Bank of Montreal \$CND (reported in \$US)	14,358
Fidelity Money Market	39,093
FundEx Cash	982
PayPal	50,727
Stripe	5,478
Tangerine Savings	50,119
Total Cash and Cash Equivalents	\$ 572,132

Marketable Securities

FundEx CIG mutual funds	\$ 70,637
Fidelity mutual funds	520,736
Fidelity exchange traded products	241,946
Fidelity stock	20,870
Total Marketable Securities	\$ 854,189

Cash, Cash Equivalents and Marketable Securities

Without donor restrictions	\$ 921,746
With donor restrictions	504,575
Total Cash, Cash Equivalents and Marketable Securities	\$ 1,426,321

All of the investments summarized above are traded on the open securities markets or are mutual funds. As such, the market value is readily determinable based on information provided by the investment firms.

The SDIA Endowment Fund is managed according to the following policies:

a. Purpose of Fund:

The purpose of the Fund is to support the mission of SDIA, which is to facilitate and promote the work of members in their efforts to contribute towards a just and sustainable development of humanity.

Specifically, the Fund was established to provide a source of stable funding for any or all of the following.

- SDIA programs and services to SDIA's members and affiliates (e.9., for training, education, technical support, communications, publications, promotion, fundraising, etc.)
- Grants to SDIA members (social and humanitarian projects and organizations which support them) and affiliates.
- The administration of SDIA.

b. Fund Administration

The SDIA Finance Committee administers the Fund. The Fund shall be invested with one or more professional companies or individuals to earn investment income and/or capital appreciation in a manner consistent with the Investment Policy of SDIA.

c. Withdrawal Policy

Each year the Finance Committee will consider the Endowment Fund performance for that year and make a recommendation to the Board for the amount to be included in the following year's budget.

Net investment return for the year ended December 31, 2018 is composed of the following components:

Interest Earned on Unrestricted Investments	\$ 191
Dividends earned on Endowment Fund	25,232
Market value adjustment on Endowment Fund	(134,616)
Gain from sales of securities	67,605
Total Investment Return	<u>\$ (41,588)</u>

NOTE 3. FINANCIAL INSTRUMENTS

CONCENTRATION OF RISK ARISING FROM CASH AND INVESTMENTS

Some marketable securities are held in Canadian funds, the value of which is affected by changes in exchange rates. The endowment funds are held in U.S. and Canadian funds. Certain investments are subject to risk arising from changes in interest rates. Certain investments are held in mutual funds that are based on underlying equity values that are subject to the risk of market fluctuations. Management has invested the Canadian funds in guaranteed vehicles in an attempt to minimize the interest rate risk. U.S. investments are not guaranteed. As noted in Note 2, SDIA holds substantial amounts with the Bank of America, Bank of Montreal, PayPal, CI Investments, Stripe, ING Tangerine savings accounts and Fidelity. Bank of Montreal and ING Tangerine accounts are guaranteed by the Canada Deposit Insurance Corporation (CDIC) which is a federal Crown corporation created in 1967 to protect deposits in member financial institutions in case of their failure, up to \$100,000 CDN.

NOTE 4. NET ASSETS

Net assets for the year ended December 31, 2018 is composed of the following components:

Net Assets

Net Assets without donor restriction	
Unrestricted	\$ 37,117
Endowments - board designated (Note 2)	875,419
Total Net Assets without donor restriction	<u>912,536</u>
Net Assets with donor restriction	507,575
Total Net Assets with donor restriction	<u>507,575</u>
Total Net Assets	<u><u>\$ 1,420,111</u></u>

NOTE 5. EVALUATION OF SUBSEQUENT EVENTS

SDIA has evaluated subsequent events through July 25, 2019, the date which the financial statements were available to be issued. The declines in the British Pound and the Euro in comparison to the United States dollar are not significant to SDIA, as holdings in these currencies are not significant.