

FOUNDATION FOR EXCELLENCE

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2022



**FOUNDATION FOR EXCELLENCE**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
526 W Fremont Ave, Unit 2920  
Sunnyvale, CA 94087

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Foundation For Excellence, (the "FFE"), a nonprofit organization, which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FFE as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FFE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FFE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FFE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FFE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Harshmal & Company LLP*

Oakland, California  
April 17, 2023

## FINANCIAL STATEMENTS

**FOUNDATION FOR EXCELLENCE**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2022**

**ASSETS**

Cash and cash equivalents	\$ 413,312
Investments	804,568
Prepaid expenses	<u>16,250</u>
Total assets	<u>1,234,130</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accrued expenses	<u>15</u>
Total liabilities	<u>15</u>

**NET ASSETS**

Without donor restrictions	1,234,115
With donor restrictions	<u>-</u>
Total net assets	<u>1,234,115</u>
Total liabilities and net assets	<u><u>\$ 1,234,130</u></u>

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

**FOUNDATION FOR EXCELLENCE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Corporate donations	\$ 44,866	\$ -	\$ 44,866
Individual donations	2,659,178	-	2,659,178
Investment income, net	<u>2,260</u>	<u>-</u>	<u>2,260</u>
Total revenues and support	<u>2,706,304</u>	<u>-</u>	<u>2,706,304</u>
<b>EXPENSES AND LOSSES</b>			
Program services	1,586,652	-	1,586,652
General administration	<u>20,168</u>	<u>-</u>	<u>20,168</u>
Total expenses and losses	<u>1,606,820</u>	<u>-</u>	<u>1,606,820</u>
Change in net assets	1,099,484	-	1,099,484
Net assets, at beginning of year	<u>134,631</u>	<u>-</u>	<u>134,631</u>
Net assets, at end of year	<u>\$ 1,234,115</u>	<u>\$ -</u>	<u>\$ 1,234,115</u>

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

**FOUNDATION FOR EXCELLENCE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
FFE IT remittance	\$ 1,578,945	\$ -	\$ 1,578,945
Advertising and marketing	7,707	-	7,707
Bank charges and fees	-	3,549	3,549
Office rent	-	3,000	3,000
Software subscriptions	-	12,840	12,840
Telephone / Internet / Utilities	-	199	199
Insurance	-	580	580
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenses	<u>\$ 1,586,652</u>	<u>\$ 20,168</u>	<u>\$ 1,606,820</u>

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



**FOUNDATION FOR EXCELLENCE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2022**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 1,099,484
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Investment income, net	(2,260)
Changes in assets and liabilities	
Accrued expenses	<u>15</u>
Net cash provided by operating activities	<u>1,097,239</u>
<b>Cash flows from investing activities</b>	
Investment income, net	2,260
Purchase of investment	<u>(716,904)</u>
Net cash used in investing activities	<u>(714,644)</u>
Net increase in cash and cash equivalents	382,595
Cash and cash equivalents, at beginning of year	<u>30,717</u>
Cash and cash equivalents, at end of year	<u><u>\$ 413,312</u></u>

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

**FOUNDATION FOR EXCELLENCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 1 - NATURE OF OPERATIONS**

Foundation For Excellence (the "FFE") is a nonprofit organization founded in 1994 in the state of California, the FFE awards scholarships to promising students who are extremely bright and talented, but come from financially constrained backgrounds. These scholarships are granted to students who have scored in the top percentage of Technology, Engineering, Law and Medical state and national entrance exams, and who have already been accepted to highly reputed Institutions in India. In addition to financial support, the FFE augments the scholarship program, with soft skills training and upskilling opportunities for students, preparing them for their careers. Many FFE donors, particularly corporate employee volunteers and the FFE alumni provide individual mentorship (focused on employability skills) and career counseling.

The FFE has obtained tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from the Franchise Tax Board under Section 23701(d) of the California Revenue and Tax Code.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applicable to not-for-profit organizations.

***B. Basis of Presentation***

The financial statements of the FFE have been presented in accordance with U.S. generally accepted accounting principles ("US GAAP"). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016 and the provisions of the American Institute of Certified Public Accountants (AICPA) "*Audit and Accounting Guide for Not-for-Profit Organizations*" (the "Guide").

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the FFE and changes therein are classified as follows:

***Net assets Without Donor Restrictions:*** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the FFE. These net assets may be used at the discretion of the FFE's management and the board. Board may designate assets without restrictions for specific operational purposes from time to time.

***Net assets With Donor Restrictions:*** Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

***C. Cash and Cash Equivalents***

Cash consists of interest and non-interest-bearing accounts with two financial institutions. The FFE considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

**FOUNDATION FOR EXCELLENCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

***D. Investments***

The FFE carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities.

***E. Fair Value of Financial Instruments***

The FFE believes that the carrying value of its financial instruments approximates their fair values in accordance with FASB Accounting Standards Codification 820 Fair Value Measurements and Disclosures (ASC 820). ASC 820 applies to all financial assets and liabilities that are being measured and reported on a fair value basis and requires such assets and liabilities to be classified and disclosed in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurements:

Level 1: Quoted market prices unadjusted in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the FFE uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers nonperformance risk in its assessment of fair value.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the FFE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

***F. Contributions***

Unconditional contributions are recognized when received and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or absence of donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

***Revenue Recognition***

As per Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of goods at a point in time based on shipping terms and transfer of title. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods. Sales, value add, and other taxes collected concurrently with revenue-producing activities are excluded from revenue.

**FOUNDATION FOR EXCELLENCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

***G. Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses included those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the FFE.

***H. Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reporting of assets, liabilities, revenues, expenses, and related disclosures. Actual results could differ from those estimates.

***I. Income Tax***

The FFE has obtained tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from the Franchise Tax Board under Section 23701(d) of the California Revenue and Tax Code. Accordingly, no provision for federal income tax or California Franchise Tax has been made.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the FFE in its federal and state-exempt organization tax returns are consistent with GAAP guidance and are more likely than not to be sustained upon examination. The FFE's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

***J. New Accounting Pronouncement***

Financial Accounting Standards Board has issued various Accounting Standards updates as Amendments of the FASB Accounting Standards Codification. The summary of the updates is set out below:

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. The FFE is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

**FOUNDATION FOR EXCELLENCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

***J. New Accounting Pronouncement (Cont'd)***

In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, which delays the effective date of ASU 2016-13 for certain entities. The new standard is effective for years beginning after December 15, 2022, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The FFE is currently evaluating the impact on its financial statements.

***K. Property and Equipment***

Property and equipment is stated at cost. However, the organization capitalizes assets with a cost greater than \$1,000 and a life expectancy of more than one year. Maintenance and repair costs are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years for computers and equipment. As of March 31, 2022, the FFE did not have assets that needed to be capitalized. Resultantly, there was no Depreciation expense as well.

***L. Advertising and Marketing***

The FFE expenses the costs of advertising, marketing, including promotional expenses, as incurred. Advertising and marketing expenses were \$7,707 for the year ended March 31, 2022.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

As of March 31, 2022, the FFE's cash consisted of the following:

	Amount
Cash and cash equivalents	<u>\$ 413,312</u>

All time and savings deposits (which include money market deposit accounts, checking accounts, and other interest-bearing accounts) maintained in an insured depository institution are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC), depending upon the type of deposit and the location of the insured depository institution.

As of March 31, 2022, the amount of balance maintained by the FFE with these institutions, which exceeded the federally insured limit, was \$163,312.

	Amount
Total amounts of deposits	\$ 413,312
Less: FDIC coverage	<u>250,000</u>
Total uninsured balance	<u>\$ 163,312</u>

**FOUNDATION FOR EXCELLENCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 4 - INVESTMENTS**

As of March 31, 2022, investment consists of the following:

	<u>Amount</u>
Charles Schwab 1351-8069	\$ 410,367
Charles Schwab 7726-3610	<u>394,201</u>
Total investments	<u>\$ 804,568</u>

During the year ended March 31, 2022, investment income, was as follows:

	<u>Amount</u>
Dividend income	\$ 5,023
Interest income	697
Unrealized gain (loss)	<u>(3,460)</u>
Total Investment Income	<u>\$ 2,260</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The FFE (US) utilizes the services of Foundation for Excellence India Trust (FFE India Trust) to identify the prospective deserving scholars and disburse the scholarship funds to them. FFE (US) is related to FFE India Trust by virtue of having some common members of Board of Trustees. 100% of the funds remitted to FFE India Trust are disbursed to the deserving students for scholarship. During the year ended March 31, 2022, the FFE (US) has received furnishing of goods, services, or facilities and made FFE IT Remittance to FFE India Trust for \$1,578,945.

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The FFE monitors its liquidity so that it can meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The FFE had the following financial assets that could readily be made available within one year to fund expenses without limitations:

	<u>Amount</u>
Cash and cash equivalents	\$ 413,312
Investments	<u>804,568</u>
Total financial assets available for general expenses within one year	<u>\$ 1,217,880</u>

**NOTE 7 - OPERATING LEASE**

The FFE entered into a lease agreement with 1888 Warburton LLC, for lease of premises, it consist of approx. 156 square feet on the first floor, identified as Suite 105 located at 1850 Warburton Avenue, Santa Clara, CA 95050 for lease rent of \$250 per month. Rent expenses for the year ended March 31, 2022 was \$3,000.

**FOUNDATION FOR EXCELLENCE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOTE 8 - EVALUATION OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 17, 2023, the date these financial statements were available for issuance. Management concluded that no material subsequent events have occurred since March 31, 2022, which would require recognition or disclosure in the financial statements.