

FOUNDATION FOR EXCELLENCE
(A California Nonprofit Corporation)

Financial Statements
For the year ended March 31, 2024

With

Independent Auditors' Report

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1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Foundation for Excellence
1850 Warburton Ave,
Santa Clara, CA 95050

Opinion

We have audited the accompanying financial statements of Foundation for Excellence (a California nonprofit organization), which comprise the statement of financial position as of March 31, 2024, and the related statements of activities, functional expenses, and cash flow 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 Foundation for Excellence as of March 31, 2024, and the changes in its net assets and its cash flows for the year 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 Foundation for Excellence, 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.

Restatement of the opening balances

As discussed in note 8 to the financial statements the opening balances for the net assets and assets are restated. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, 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 Foundation for Excellence'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 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 Foundation for Excellence'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 Foundation for Excellence'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.

Chugh CPAs LLP

Chugh CPAs LLP
Santa Clara, CA
January 27, 2025

FOUNDATION FOR EXCELLENCE
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	188,076
Investments, at fair value		1,444,169
Contribution receivables current, net		338,823
Prepaid expenses		<u>22,750</u>

TOTAL CURRENT ASSETS 1,993,818

NON CURRENT ASSETS

Contribution receivables non-current, net		<u>116,753</u>
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TOTAL NON CURRENT ASSETS 116,753

TOTAL ASSETS \$ 2,110,571

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and other payables	\$	-
Deferred revenue		<u>5,000</u>

TOTAL CURRENT LIABILITIES 5,000

NET ASSETS

With donor restrictions		-
Without donor restrictions		<u>2,105,571</u>

TOTAL NET ASSETS 2,105,571

TOTAL LIABILITIES AND NET ASSETS \$ 2,110,571

FOUNDATION FOR EXCELLENCE
STATEMENT OF ACTIVITIES
AS OF MARCH 31, 2024

	Without donor restrictions	With donor restrictions	Total
Operating activities			
Support and revenues			
Corporate Donations	\$ 181,547	\$ -	\$ 181,547
Individual Donations	2,275,747	-	2,275,747
Total support and revenues	2,457,294	-	2,457,294
Expenses			
Program services	2,463,844	-	2,463,844
General administration	44,462	-	44,462
Fundraising	57,773	-	57,773
Total expenses	2,566,079	-	2,566,079
Change in net assets from operating activities	(108,785)	-	(108,785)
Non Operating activities			
Investment return, net	96,859	-	96,859
Change in net assets from non - operating activities	96,859	-	96,859
Change in net assets	(11,926)	-	(11,926)
Net assets, beginning of year	2,117,497	-	2,117,497
Net assets, end of year	\$ 2,105,571	\$ -	\$ 2,105,571

FOUNDATION FOR EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
AS OF MARCH 31, 2024

	Program Services	General Administration	Fundraising	Total
IT remittance	\$ 2,444,957	\$ -	\$ -	\$ 2,444,957
Event gala expenses	-	-	57,773	57,773
Legal & professional	-	36,200	-	36,200
Software subscription	12,750	-	-	12,750
Advertising & marketing	6,136	-	-	6,136
Bank charges	-	3,689	-	3,689
Office rent	-	3,000	-	3,000
Insurance	-	500	-	500
Miscellaneous expenses	-	777	-	777
Computer & internet expenses	-	179	-	179
Meals	-	117	-	117
Total functional expenses	\$ 2,463,844	\$ 44,462	\$ 57,773	\$ 2,566,079

FOUNDATION FOR EXCELLENCE
STATEMENT OF CASH FLOWS
AS OF MARCH 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ (11,926)

Changes in operating assets and liabilities:

Contribution receivable, net 181,645
Prepaid expenses (22,500)
Deferred revenue 5,000
Accrued expenses (15)

Net cash provided by operating activities 152,204

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment (139,853)

Net cash used in investing activities (139,853)

NET INCREASE IN CASH 12,351

CASH, beginning of year 175,725

CASH, end of year \$ 188,076

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 1 - ORGANIZATION

Foundation for Excellence (the "FFE") is a nonprofit organization founded in 1994 in the state of California, 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

Basis of Accounting and Presentation

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

Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, regardless of when cash is disbursed.

Financial statement presentation

FFE financial statement presentation follows the guidance of Financial Accounting Standards Board Accounting Standards Codification (FASB) 958, Not-for-Profit Entities: Presentation of Financial Statements. Under these standards, FFE is required to report information regarding its financial position and activities according to two classes of net assets.

Without donor restrictions

Without donor restriction consists of net assets that are not subject to donor-imposed restrictions. Without donor restriction net assets result from operating revenues, without donor restriction contributions, without donor restriction dividend and interest income, less expense incurred in operations and for administrative functions. This may be expended for the purpose of performing the primary objectives of FFE.

With donor restrictions

With donor restriction net assets consists of net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When the donor restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions. FFE has no net assets with donor restrictions for the year ending March 31, 2024.

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of interest and non-interest-bearing accounts with the financial institutions. FFE considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. FFE also maintains cash in PayPal account which is not federally insured.

Contribution Receivable

Contribution receivable consists principally of amounts due from individuals, corporations, and foundations for program services of FFE. Contribution receivable included in the statement of financial position for the year ending March 2024 is \$455,576.

Contribution receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the net present value (NPV) of estimated future cash flows. Contributions receivable are discounted using the risk-free rate based on the yield of U.S. Treasury securities corresponding to the expected collection period, as FFE does not have an incremental borrowing rate.

An allowance for uncollectible receivable is recorded based on estimated amounts not expected to be collected. The contribution receivables are considered fully collectible at March 31, 2024. Accordingly, no allowance for uncollectible amounts recorded in these financial statements.

Concentration of Credit Risk

FFE maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. It is the FFE's policy to review on an ongoing basis the financial condition of the financial institutions in which funds are deposited. FFE has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash balances.

Risk and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statements of financial position and activities.

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Investments

FFE records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Revenue Recognition

(i) *Contributions*

Contributions are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as with donor restrictions if they are received with donor stipulations or time considerations as to their use. All contributions are available without donor restriction use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction. When a donor restriction expires, that is, when a stipulated time restriction end or the purpose of the restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from with donor restriction. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

(ii) *Gifts-in-kind*

Gifts-in-kind are recorded as support and expenses in the financial statements at their estimated fair values on the date of the donation.

FFE benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services to the FFE's program operations. However, majority of the contributed services do not meet the criteria for recognition in the financial statements. US. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

The volunteer service received by FFE did not require specialized skills and did not meet the recognition criteria set forth under the US. GAAP. Consequently, these were not recorded as support and expenses.

Fundraising events

Revenue from fundraising events, such as galas, is recognized when the event occurs. Direct costs associated with fundraising are expensed as incurred.

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Income Taxes

FFE has obtained tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal income tax or California Franchise Tax has been made. FFE has been classified as a publicly supported charitable organization, which is not a private foundation under IRS Code Section 509(a).

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 FFE in its federal and state-exempt organization tax returns are consistent with US GAAP guidance and are more likely than not to be sustained upon examination. 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.

Leases:

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842), which supersedes the lease recognition requirements in Accounting Standards Codification Topic 840, "Leases." Several updates to the ASU have subsequently been issued. The core principle of the guidance is that an entity should recognize right-of-use assets and liabilities arising from a lease for both financing and operating leases with terms of more than 12 months, along with additional qualitative and quantitative disclosures.

Short-Term Leases and Leases of low-value assets:

FFE applies the short-term lease recognition exemption to its short-term lease (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). FFE elected not to recognize right of use assets and lease liabilities for short-term lease for the office space that has a lease term which is of 12 months or less and lease of low-value assets. FFE recognizes the lease payments associated with the lease as an expense on a straight-line basis over the lease term.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of FFE's expenses are directly related to program activities. The expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of FFE are considered general administration expenses.

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements):

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds are valued at the closing price reported from an actively traded exchange.

Mutual funds are categorized as Level 1 and are valued at the closing price reported on the active market on which the individual securities are traded.

The following tables set forth by level within the fair value hierarchy, summary of the nonprofit organization's investments measured at fair value as of March 31, 2024:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 974,882	-	-	\$ 974,882
Exchange traded products	469,287			469,287
Investments, at fair value	<u>\$ 1,444,169</u>			<u>\$ 1,444,169</u>

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 4 – CONTRIBUTION RECEIVABLES

Contribution receivable as of March 31, 2024, net of discounts and allowances are as follows:

	March 31, 2024
One year or less	\$ 357,881
Between one year and 5 years	70,324
More than 5 years	<u>90,972</u>
Total	\$ 519,177
Less: Discount	(63,601)
Less: Allowance for doubtful debts	<u>-</u>
Total Contributions receivable, net	<u><u>\$ 455,576</u></u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

FFE has entered into a short-term lease agreement with 1888 Warburton LLC, for lease of premises, located at 1850 Warburton Avenue, Santa Clara, CA 95050 for lease rent of \$250 per month. Rent expenses for the year ended March 31, 2024 were \$3,000.

NOTE 6 – RELATED PARTY TRANSACTIONS

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, 2024, the contributions received by FFE (US) has been transferred as FFE IT Remittance to FFE India Trust amounting to \$2,444,957

NOTE 7 - LIQUIDITY DISCLOSURE

FFE has financial assets available for use within one year from the statement of financial position statement date to meet cash needs for general expenses. FFE maintains a policy of structuring financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following represents FFE's financial assets as of March 31, 2024:

	March 31, 2024
Cash & cash equivalents	\$ 188,076
Investments	1,444,169
Contribution receivables, net	<u>338,823</u>
Total Financial assets	1,971,068
Less: Net assets with donor restrictions	<u>-</u>
Total Financial assets available within one year	<u><u>\$ 1,971,068</u></u>

FOUNDATION FOR EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 8 – RESTATEMENT OF OPENING BALANCE OF NET ASSETS AND ASSETS

During the year of audit FFE identified that contributions receivable in prior periods were not recorded as required by US. GAAP. Contributions representing unconditional promises to give were previously recorded as income in the year of receipt, rather than in the year the promise was made, resulting in an understatement of assets and net assets.

US. GAAP requires that unconditional promises to give be recognized as revenue in the period in which the promise is made and recorded as a receivable at their discounted NPV.

FFE has restated its opening balance of assets and net assets by recognizing previously unrecorded contributions receivable, in the year promise was made and recording these receivables at their discounted NPV as follows:

	Restated opening balance
Increase in net assets	\$ 637,221
Increase in contribution receivable current, net	280,144
Increase in contribution receivable non-current, net	357,077

The restatement of the opening balance does not have any impact on the statement of activities for the current period. This restatement does not impact cash flows but ensures compliance with US. GAAP by properly recognizing and measuring contributions receivable in the appropriate periods and discounting them to NPV.

NOTE 9 - SUBSEQUENT EVENTS

FFE has evaluated subsequent events through January 27, 2025, the date at which the financial statements are available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any subsequent events occurred, the nature of which would require disclosure.