

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Financial Statements and Supplementary Schedules Together with  
Report of Independent Public Accountants**

**For the Years Ended March 31, 2016 and 2015**



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**MARCH 31, 2016 AND 2015**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors of  
Friends of the British Council, USA

We have audited the accompanying statements of financial position of Friends of the British Council, USA (FOBC) as of March 31, 2016 and 2015, and the related statements of activities and changes in net assets and 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 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 audit to obtain reasonable assurance about whether these 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.



**SB & COMPANY, LLC**  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FOBC as of March 31, 2016 and 2015, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of functional expenses for the years ended March 31, 2016 and 2015, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Washington, DC  
February 14, 2017

*SB & Company, LLC*

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Statements of Financial Position  
As of March 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 1,660,698	\$ 100,848
Grants receivable, net	1,270,729	1,230,669
Accounts receivable	11,000	25,181
<b>Total Assets</b>	<b><u>\$ 2,942,427</u></b>	<b><u>\$ 1,356,698</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 54,765	\$ 35,362
Note payable, related party	215,400	222,285
<b>Total Liabilities</b>	<b><u>270,165</u></b>	<b><u>257,647</u></b>
<b>Net Assets</b>		
Unrestricted	(165,507)	(220,037)
Temporarily restricted	2,837,769	1,319,088
<b>Total Net Assets</b>	<b><u>2,672,262</u></b>	<b><u>1,099,051</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,942,427</u></b>	<b><u>\$ 1,356,698</u></b>

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

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Statements of Activities and Changes in Net Assets  
For the Years Ended March 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Other Support</b>		
Grants	\$ 1,063,820	\$ 402,048
Contributions	12,947	12,673
Consulting services	121,000	121,000
Foreign currency transaction gain	6,747	27,675
Other income	-	5,575
<b>Total Revenue</b>	<u>1,204,514</u>	<u>568,971</u>
Net assets released from restrictions	727,996	167,490
<b>Total Revenue and Other Support</b>	<u>1,932,510</u>	<u>736,461</u>
<b>Expenses</b>		
Program services	1,704,259	602,932
Supporting services:		
Fundraising	64,585	47,427
General and administrative	109,136	75,108
<b>Total Expenses</b>	<u>1,877,980</u>	<u>725,467</u>
<b>Change in Unrestricted Net Assets</b>	<u>54,530</u>	<u>10,994</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants	2,246,677	1,318,099
Net assets released from restrictions	(727,996)	(167,490)
<b>Change in Temporarily Restricted Net Assets</b>	<u>1,518,681</u>	<u>1,150,609</u>
Changes in net assets	1,573,211	1,161,603
Net assets, beginning of year	1,099,051	(62,552)
<b>Net Assets, End of Year</b>	<u>\$ 2,672,262</u>	<u>\$ 1,099,051</u>

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

# FRIENDS OF THE BRITISH COUNCIL, USA

## Statements of Cash Flows

For the Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,573,211	\$ 1,161,603
Adjustment to reconcile changes in net assets to net cash from operating activities:		
Foreign currency transaction gain	(6,885)	(27,675)
Effect of changes in non-cash operating assets and liabilities:		
Grants receivable, net	(40,060)	(1,063,669)
Accounts receivable	14,181	(23,532)
Prepaid expense and other assets	-	789
Accounts payable and accrued expenses	19,403	3,060
<b>Net Cash Flows from Operating Activities</b>	<u>1,559,850</u>	<u>50,576</u>
Change in cash	1,559,850	50,576
Cash, beginning of year	100,848	50,272
<b>Cash, End of Year</b>	<u>\$ 1,660,698</u>	<u>\$ 100,848</u>

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

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements**

**March 31, 2016 and 2015**

### **1. DESCRIPTION OF THE ORGANIZATION**

The mission of Friends of the British Council, USA (FOBC) is to create mutual understanding and trust among people in the United States of America (U.S.) and around the world. FOBC works primarily by enabling U.S. participation in a strategic partnership with the British Council.

FOBC was founded in 2010 as an independent U.S. non-profit organization created to support British Council programs globally and work with the British Council's partners. It is a separate entity from the British Council, but the organizations share values, mission, and priorities.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements of FOBC are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Grants and Accounts Receivable**

Grants receivable represents amounts earned on grants, but not yet received from the grantor. For grants expected to be collected in over one year, FOBC discounted these grants using a 3.21% and 2.70% discount rate as of March 31, 2016 and 2015, respectively. The rate was based on the 12 month LIBOR rate plus 2. The discount amounts for the years ended March 31, 2016 and 2015 were \$12,464 and \$30,031, respectively. Accounts receivable are primarily from consulting services and contributions received after year end. FOBC provides an allowance for doubtful accounts equal to the estimate uncollectible accounts. No allowance for doubtful accounts was recorded as of March 31, 2016 and 2015, respectively, as all receivables were deemed fully collectible.



# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements March 31, 2016 and 2015**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Fair Value Measurement**

Financial instruments consist of cash, grants and accounts receivable, accounts payable and accrued expenses, and note payable. The carrying value of FOBC's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of March 31, 2016 and 2015. Fair values are estimated based on current market rates, prices, or liquidation value.

#### **Net Assets**

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by FOBC has been restricted by donors, primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by FOBC in perpetuity. There were no permanently restricted net assets as of March 31, 2016 and 2015.

#### **Restricted and Unrestricted Revenue and Other Support**

Contributions and grants received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements March 31, 2016 and 2015**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated between the program services and general and administrative services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of FOBC.

#### **Income Taxes**

FOBC is exempt from the payment of income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements, and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. FOBC performed an evaluation of uncertain tax positions as of March 31, 2016 and 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of March 31, 2016, the statute of limitations for fiscal years 2013 through 2016 remains open with the U.S. Federal jurisdiction or the state and local jurisdictions in which FOBC files tax returns. Tax year 2010 was the first year of operations for FOBC. It is FOBC's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

#### **Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, that provides updated guidance on the reporting model for not-for-profits and the statement of cash flows. These standards are effective for periods beginning after December 15, 2017 and December 15, 2018, respectively. Management is investigating the effects of these pronouncements on the financials, and has decided not to implement these pronouncements early.

# FRIENDS OF THE BRITISH COUNCIL, USA

## Notes to the Financial Statements March 31, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subsequent Events

FOBC evaluated the accompanying financial statements for subsequent events and transactions through February 14, 2017, the date these financial statements were available for issue, and has determined that no material subsequent events, except as noted in Note 4, have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

### 3. GRANTS RECEIVABLE

Grants receivable relates to several multi-year grants expected to be collected as follows as of March 31, 2016, with 2015 shown for comparative purposes:

<u>Amounts due in:</u>	<u>2016</u>	<u>2015</u>
Less than one year	\$ 908,750	\$ 603,950
One to five years	374,443	656,750
	<u>1,283,193</u>	<u>1,260,700</u>
Less: discount at 3.21% and 2.70%, respectively	12,464	30,031
<b>Grants Receivable, net</b>	<b><u>\$ 1,270,729</u></b>	<b><u>\$ 1,230,669</u></b>

### 4. NOTE PAYABLE

In March 2011, FOBC entered into a loan agreement with BC Holdings (United Kingdom) Limited. BC Holdings (United Kingdom) Limited is the holding company of the British Council, a related party. Under the loan agreement, FOBC was able to draw down a total loan amount of \$222,285, in tranches of no less than \$41,660 each. As of March 31, 2016, FOBC has drawn \$222,285, in accordance with the agreement. At any time, the lender has the right to demand payment or discharge the indebtedness of FOBC. The loan agreement with BC Holdings (United Kingdom) Limited is denoted in British pounds sterling, and values are adjusted to U.S. dollars in the accompanying statements of financial position based on the exchange rate of one British pound sterling equals 1.4360 and 1.4819 U.S. dollars per the Wall Street Journal as of March 31, 2016 and 2015, respectively. Interest on this note payable accrues at the rate of 1 month LIBOR plus 2% per annum. Starting in August 2016, principal and interest payments are due based on a repayment schedule with the final payment due on May 31, 2019. Interest expense was \$4,875 and \$4,126, for the years ended March 31, 2016 and 2015, respectively.

## FRIENDS OF THE BRITISH COUNCIL, USA

### Notes to the Financial Statements March 31, 2016 and 2015

#### 4. NOTE PAYABLE (continued)

The accrued interest payable as of March 31, 2016 and 2015, was \$21,912 and \$17,037, respectively. Future principal payments for the note payable outstanding as of March 31, 2016, were as follows:

<b>For the Years Ending March 31,</b>	<b>Amount</b>
2017	\$ 53,850
2018	71,800
2019	71,800
2020	17,950
<b>Total</b>	<b>\$ 215,400</b>

In May 2016, the Board of Directors of BC Holdings (United Kingdom) Limited approved the extinguishment of the outstanding amounts due in relation to the loan principal and all accrued interest owed.

#### 5. TEMPORARILY RESTRICTED NET ASSETS

FOBC has temporarily restricted net assets that were provided for a specific purpose. Temporarily restricted net assets consisted of the following as of March 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Bridging Voices	\$ -	\$ 151,000
Premier Skills USA	-	989
Barrick Gold Corp	<b>206,107</b>	373,712
Cambridge America	<b>329,909</b>	595,622
U.S. State Department	<b>77,500</b>	197,765
MacArthur Foundation - India	<b>309,143</b>	-
MacArthur Foundation - Nigeria	<b>255,000</b>	-
Rockefeller Foundation	<b>200,000</b>	-
Bill & Melinda Gates Foundation	<b>1,460,110</b>	-
<b>Total</b>	<b>\$ 2,837,769</b>	<b>\$ 1,319,088</b>

**SUPPLEMENTARY INFORMATION**

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Schedule of Functional Expenses  
For the Year Ended March 31, 2016, with Comparative Totals for 2015**

	<b>2016</b>				<b>2015 Total</b>
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
		<b>Fundraising</b>	<b>General and Administrative</b>		
Salaries and benefits	\$ 78,433	\$ 32,086	\$ 32,086	\$ 142,605	\$ 120,000
Payroll taxes	11,213	4,588	4,588	20,389	12,374
Professional fees	-	-	32,620	32,620	26,053
Rent	905	371	371	1,647	1,564
State registrations	-	-	-	-	170
Insurance	-	-	-	-	789
Interest expense	2,681	1,097	1,097	4,875	4,126
Travel	19,085	7,807	7,806	34,698	23,680
Postage	-	91	30	121	-
Subscriptions	5,671	5,671	-	11,342	4,684
Telephone	2,362	967	967	4,296	2,200
Grants	1,555,535	-	-	1,555,535	526,816
Sports program	28,374	11,607	11,607	51,588	-
Conference and meetings	-	300	-	300	-
Miscellaneous	-	-	17,964	17,964	3,011
<b>Total</b>	<b>\$ 1,704,259</b>	<b>\$ 64,585</b>	<b>\$ 109,136</b>	<b>\$ 1,877,980</b>	<b>\$ 725,467</b>

**FRIENDS OF THE BRITISH COUNCIL, USA****Schedule of Functional Expenses  
For the Year Ended March 31, 2015**

	<b>2015</b>			
	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 54,000	\$ 33,000	\$ 33,000	\$ 120,000
Payroll taxes	5,568	3,403	3,403	12,374
Professional fees	-	-	26,053	26,053
Rent	704	430	430	1,564
State registrations	-	-	170	170
Insurance	-	-	789	789
Interest expense	1,856	1,135	1,135	4,126
Travel	10,656	6,512	6,512	23,680
Subscriptions	2,342	2,342	-	4,684
Telephone	990	605	605	2,200
Grants	526,816	-	-	526,816
Miscellaneous	-	-	3,011	3,011
<b>Total</b>	<u>\$ 602,932</u>	<u>\$ 47,427</u>	<u>\$ 75,108</u>	<u>\$ 725,467</u>

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Financial Statements and Supplementary Schedules Together with  
Report of Independent Public Accountants**

**For the Years Ended March 31, 2015 and 2014**





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**MARCH 31, 2015 AND 2014**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors of  
Friends of the British Council, USA

We have audited the accompanying statements of financial position of Friends of the British Council, USA (FOBC) as of March 31, 2015 and 2014, and the related statements of activities and changes in net assets and 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 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 audit to obtain reasonable assurance about whether these 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.



**S B & C O M P A N Y, L L C**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FOBC as of March 31, 2015 and 2014, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of functional expenses for the years ended March 31, 2015 and 2014, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Washington, DC  
February 11, 2016

*S B & Company, LLC*

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Statements of Financial Position  
As of March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 100,848	\$ 50,272
Grants receivable, net	1,230,669	167,000
Accounts receivable	25,181	1,649
Prepaid expenses and other assets	-	789
<b>Total Assets</b>	<b><u>\$ 1,356,698</u></b>	<b><u>\$ 219,710</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 35,362	\$ 32,302
Note payable	<u>222,285</u>	<u>249,960</u>
<b>Total Liabilities</b>	<b><u>257,647</u></b>	<b><u>282,262</u></b>
<b>Net Assets</b>		
Unrestricted	(220,037)	(231,031)
Temporarily restricted	<u>1,319,088</u>	<u>168,479</u>
<b>Total Net Assets</b>	<b><u>1,099,051</u></b>	<b><u>(62,552)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,356,698</u></b>	<b><u>\$ 219,710</u></b>

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

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Statements of Activities and Changes in Net Assets  
For the Years Ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Other Support</b>		
Grants	\$ 402,048	\$ 33,950
Contributions	12,673	23,614
Consulting services	121,000	26,400
Foreign currency transaction gain (loss)	27,675	(21,930)
Other income	5,575	-
<b>Total Revenue</b>	<u>568,971</u>	<u>62,034</u>
Net assets released from restrictions	167,490	150,000
<b>Total Revenue and Other Support</b>	<u>736,461</u>	<u>212,034</u>
<b>Expenses</b>		
Program services	602,932	234,494
Supporting services:		
Fundraising	47,427	44,019
General and administrative	75,108	55,689
<b>Total Expenses</b>	<u>725,467</u>	<u>334,202</u>
<b>Change in Unrestricted Net Assets</b>	<u>10,994</u>	<u>(122,168)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants	1,318,099	168,479
Net assets released from restrictions	(167,490)	(150,000)
<b>Change in Temporarily Restricted Net Assets</b>	<u>1,150,609</u>	<u>18,479</u>
Changes in net assets	1,161,603	(103,689)
Net assets, beginning of year	(62,552)	41,137
<b>Net Assets, End of Year</b>	<u>\$ 1,099,051</u>	<u>\$ (62,552)</u>

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

# FRIENDS OF THE BRITISH COUNCIL, USA

## Statements of Cash Flows

For the Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,161,603	\$ (103,689)
Adjustment to reconcile changes in net assets to net cash from operating activities:		
Foreign currency transaction (gain)/loss	(27,675)	21,930
Effect of changes in non-cash operating assets and liabilities:		
Grants receivable	(1,063,669)	34,888
Accounts receivable	(23,532)	(1,649)
Prepaid expense and other assets	789	(66)
Accounts payable and accrued expenses	3,060	(30,411)
<b>Net Cash Flows from Operating Activities</b>	<u>50,576</u>	<u>(78,997)</u>
Change in cash	50,576	(78,997)
Cash, beginning of year	50,272	129,269
<b>Cash, End of Year</b>	<u>\$ 100,848</u>	<u>\$ 50,272</u>
<b>Supplemental Cash Flow Disclosure</b>		
Cash paid for interest	<u>\$ 4,126</u>	<u>\$ 6,809</u>

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

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements**

**March 31, 2015 and 2014**

### **1. DESCRIPTION OF THE ORGANIZATION**

The mission of Friends of the British Council, USA (FOBC) is to create mutual understanding and trust among people in the United States of America (U.S.) and around the world. FOBC works primarily by enabling US participation in a strategic partnership with the British Council.

FOBC was founded in 2010 as an independent U.S. non-profit organization created to support British Council programs globally and work with the British Council's partners. It is a separate entity from the British Council, but the organizations share values, mission, and priorities.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements of FOBC are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Grants Receivable**

For grants expected to be collected in over one year, FOBC discounts these grants using a 2.70% discount rate as of March 31, 2015. The rate was based on the 12 month LIBOR rate plus 2. The discount for the year ended March 31, 2015 was \$30,031. There was no discount for the year ended March 31, 2014.

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements March 31, 2015 and 2014**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Fair Value Measurement**

Financial instruments consist of cash, grants receivable, accounts payable, and note payable. The carrying value of FOBC's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of March 31, 2015 and 2014. Fair values are estimated based on current market rates, prices, or liquidation value.

#### **Net Assets**

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by FOBC has been restricted by donors, primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by FOBC in perpetuity. There were no permanently restricted net assets as of March 31, 2015 and 2014.

#### **Restricted and Unrestricted Revenue and Other Support**

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated between the program services and general and administrative services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of FOBC.



# FRIENDS OF THE BRITISH COUNCIL, USA

## Notes to the Financial Statements March 31, 2015 and 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes

FOBC is exempt from the payment of income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements, and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. FOBC performed an evaluation of uncertain tax positions as of March 31, 2015 and 2014, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of March 31, 2015, the statute of limitations for fiscal years 2012 through 2015 remains open with the U.S. Federal jurisdiction or the state and local jurisdictions in which FOBC files tax returns. Tax year 2010 was the first year of operations for FOBC. It is FOBC's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

#### Subsequent Events

FOBC evaluated the accompanying financial statements for subsequent events and transactions through February 11, 2016, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

### 3. GRANTS RECEIVABLE

Grants receivable relates to several multi-year grants expected to be collected as follows as of March 31, 2015:

<u>Amounts due in:</u>	<u>Amount</u>
Less than one year	\$ 603,950
One to five years	656,750
	<u>1,260,700</u>
Less: discount at 2.70%	30,031
<b>Grants Receivable, net</b>	<b><u>\$ 1,230,669</u></b>

Grants receivable as of March 31, 2014, was \$167,000, of which the balance was collected within a year. There was no discount related to these receivables.

## FRIENDS OF THE BRITISH COUNCIL, USA

### Notes to the Financial Statements March 31, 2015 and 2014

#### 4. NOTE PAYABLE

In March 2011, FOBC entered into a loan agreement with BC Holdings (United Kingdom) Limited. BC Holdings (United Kingdom) Limited is the holding company of the British Council, a related party. Under the loan agreement, FOBC was able to draw down a total loan amount of \$222,285, in tranches of no less than \$41,660 each. As of March 31, 2015, FOBC has drawn \$222,285, in accordance with the agreement. At any time, the lender has the right to demand payment or discharge the indebtedness of FOBC. The loan agreement with BC Holdings (United Kingdom) Limited is denoted in British pounds sterling, and values are adjusted to U.S. dollars in the accompanying statements of financial position based on the exchange rate of one British pound sterling equals 1.4819 and 1.6664 U.S. dollars per the Wall Street Journal as of March 31, 2015 and 2014, respectively. Interest on this note payable accrues at the rate of 1 month LIBOR plus 2% per annum. Starting in August 2016, principal and interest payments are due based on a repayment schedule with the final payment due on May 31, 2019. Interest expense was \$4,126 and \$6,809, for the years ended March 31, 2015 and 2014, respectively.

The accrued interest payable as of March 31, 2015 and 2014, was \$17,037 and \$12,911, respectively. Future principal payments for the note payable outstanding as of March 31, 2015, were as follows:

<b>For the Years Ending</b>	
<b>March 31,</b>	<b>Amount</b>
2016	\$ -
2017	55,571
2018	74,095
2019	74,095
2020	18,524
<b>Total</b>	<b>\$ 222,285</b>

## FRIENDS OF THE BRITISH COUNCIL, USA

### Notes to the Financial Statements

March 31, 2015 and 2014

#### 5. TEMPORARILY RESTRICTED NET ASSETS

FOBC has temporarily restricted net assets that were provided for a specific purpose. Temporarily restricted net assets consisted of the following as of March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Bridging Voices	\$ 151,000	\$ 151,000
Premier Skills USA	989	16,000
National Youth Orchestra of Iraq	-	1,479
Barrick Gold Corp	373,712	-
Cambridge America	595,622	-
U.S. State Department	197,765	-
<b>Total</b>	<u>\$ 1,319,088</u>	<u>\$ 168,479</u>

**SUPPLEMENTARY INFORMATION**

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Schedule of Functional Expenses  
For the Year Ended March 31, 2015, with Comparative Totals for 2014**

	<b>2015</b>				<b>2014 Total</b>
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
		<b>Fundraising</b>	<b>General and Administrative</b>		
Salaries and benefits	\$ 54,000	\$ 33,000	\$ 33,000	\$ 120,000	\$ 111,596
Payroll taxes	5,568	3,403	3,403	12,374	8,802
Professional fees	-	-	26,053	26,053	11,364
Rent	704	430	430	1,564	1,675
State registrations	-	-	170	170	632
Insurance	-	-	789	789	1,391
Interest expense	1,856	1,135	1,135	4,126	6,809
Travel	10,656	6,512	6,512	23,680	5,556
Postage	-	-	-	-	761
Subscriptions	2,342	2,342	-	4,684	5,302
Telephone	990	605	605	2,200	1,546
Grants	526,816	-	-	526,816	177,450
Miscellaneous	-	-	3,011	3,011	1,318
<b>Total</b>	<b>\$ 602,932</b>	<b>\$ 47,427</b>	<b>\$ 75,108</b>	<b>\$ 725,467</b>	<b>\$ 334,202</b>

**FRIENDS OF THE BRITISH COUNCIL, USA****Schedule of Functional Expenses  
For the Year Ended March 31, 2014**

	<b>2014</b>			
	<u>Program</u>		<u>General and</u>	
	<u>Services</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 44,638	\$ 33,479	\$ 33,479	\$ 111,596
Payroll taxes	3,521	2,641	2,640	8,802
Professional fees	-	-	11,364	11,364
Rent	670	503	502	1,675
State registrations	-	-	632	632
Insurance	-	-	1,391	1,391
Interest expense	2,724	2,043	2,042	6,809
Travel	2,222	1,667	1,667	5,556
Postage	-	571	190	761
Subscriptions	2,651	2,651	-	5,302
Telephone	618	464	464	1,546
Grants	177,450	-	-	177,450
Miscellaneous	-	-	1,318	1,318
<b>Total</b>	<u>\$ 234,494</u>	<u>\$ 44,019</u>	<u>\$ 55,689</u>	<u>\$ 334,202</u>

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Financial Statements and Supplementary Schedules Together with  
Report of Independent Public Accountants**

**For the Years Ended March 31, 2014 and 2013**



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

**MARCH 31, 2014 AND 2013**

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**S B & C O M P A N Y, L L C**  
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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors of  
Friends of the British Council, USA

We have audited the accompanying statements of financial position of Friends of the British Council, USA (FOBC) as of March 31, 2014 and 2013, and the related statements of activities and changes in net assets and 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 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 audit to obtain reasonable assurance about whether these 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.



**S B & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FOBC as of March 31, 2014 and 2013, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of functional expenses for the years ended March 31, 2014 and 2013, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Washington, DC  
February 17, 2015

*S B & Company, LLC*

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Statements of Financial Position  
As of March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 50,272	\$ 129,269
Grants receivable	167,000	201,888
Accounts receivable	1,649	-
Prepaid expenses and other assets	789	723
<b>Total Assets</b>	<u>\$ 219,710</u>	<u>\$ 331,880</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 32,302	\$ 62,713
Note payable	249,960	228,030
<b>Total Liabilities</b>	<u>282,262</u>	<u>290,743</u>
<b>Net Assets</b>		
Unrestricted	(231,031)	(108,863)
Temporarily restricted	168,479	150,000
<b>Total Net Assets</b>	<u>(62,552)</u>	<u>41,137</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 219,710</u>	<u>\$ 331,880</u>

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

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Statements of Activities and Changes in Net Assets  
For the Years Ended March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Other Support</b>		
Grants	\$ 33,950	\$ 239,888
In-kind contributions	-	24,512
Contributions	23,614	-
Consulting services	26,400	-
Other income	-	11,330
<b>Total Revenue</b>	<u>83,964</u>	<u>275,730</u>
Net assets released from restrictions	<u>150,000</u>	<u>142,000</u>
<b>Total Revenue and Other Support</b>	<u>233,964</u>	<u>417,730</u>
<b>Expenses</b>		
Program services	243,266	405,019
Supporting services:		
Fundraising	50,598	20,771
General and administrative	62,268	65,505
<b>Total Expenses</b>	<u>356,132</u>	<u>491,295</u>
<b>Change in Unrestricted Net Assets</b>	<u>(122,168)</u>	<u>(73,565)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants	168,479	150,000
Net assets released from restrictions	<u>(150,000)</u>	<u>(142,000)</u>
<b>Change in Temporarily Restricted Net Assets</b>	<u>18,479</u>	<u>8,000</u>
Changes in net assets	(103,689)	(65,565)
Net assets, beginning of year	<u>41,137</u>	<u>106,702</u>
<b>Net Assets, End of Year</b>	<u>\$ (62,552)</u>	<u>\$ 41,137</u>

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

# FRIENDS OF THE BRITISH COUNCIL, USA

## Statements of Cash Flows

For the Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (103,689)	\$ (65,565)
Adjustment to reconcile changes in net assets to net cash from operating activities:		
Foreign currency transaction loss	21,930	-
Effect of changes in non-cash operating assets and liabilities:		
Grants receivable	34,888	(201,888)
Accounts receivable	(1,649)	-
Prepaid expense and other assets	(66)	(36)
Accounts payable and accrued expenses	(30,411)	58,784
<b>Net Cash Flows from Operating Activities</b>	<u>(78,997)</u>	<u>(208,705)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from note payable	-	67,910
Change in cash	(78,997)	(140,795)
Cash, beginning of year	129,269	270,064
<b>Cash, End of Year</b>	<u>\$ 50,272</u>	<u>\$ 129,269</u>

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

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements**

**March 31, 2014 and 2013**

### **1. DESCRIPTION OF THE ORGANIZATION**

The mission of Friends of the British Council, USA (FOBC) is to create mutual understanding and trust among people in the United States of America (U.S.) and around the world. FOBC works primarily by enabling US participation in a strategic partnership with the British Council.

FOBC was founded in 2010 as an independent U.S. non-profit organization created to support British Council programs globally and work with the British Council's partners. It is a separate entity from the British Council, but the organizations share values, mission, and priorities.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements of FOBC are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Negative Operations**

As shown in the accompanying financial statements, FOBC had an unrestricted net assets deficit of \$231,031 and \$108,863, as of March 31, 2014 and 2013, respectively, and incurred losses in unrestricted net assets during the years ended March 31, 2014 and 2013, of \$122,168 and \$73,565, respectively. FOBC has an outstanding note payable with the British Council in which the first payment is due March 21, 2015. If FOBC is not able to make this payment the British Council could call the loan. FOBC has presented a new repayment plan that the British Council is in the process of reviewing. Management is negotiating the repayment plan and does not expect the British Council to call the loan. Additionally, FOBC has secured restricted grants after year end that will provide funding towards administrative and other operating costs and continues to pursue new sources of funding. Management believes that these actions will enable FOBC to continue as a viable financial organization.

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements March 31, 2014 and 2013**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Fair Value Measurement**

Financial instruments consist of cash, grants receivable, accounts payable, and note payable. The carrying value of FOBC's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of March 31, 2014 and 2013. Fair values are estimated based on current market rates, prices, or liquidation value.

#### **Net Assets**

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by FOBC has been restricted by donors, primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by FOBC in perpetuity. There were no permanently restricted net assets as of March 31, 2014 and 2013.

#### **Restricted and Unrestricted Revenue and Other Support**

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

#### **In-kind Contributions**

Donated services that would have been purchased were valued at their estimated fair market value. Services donated to FOBC for the year ended March 31, 2013, were valued at \$24,512, and are reflected as in-kind contributions and expenses in the accompanying statements of activities and changes in net assets for legal services, grant writing, and airline flights. There were no in-kind services provided for 2014.

# **FRIENDS OF THE BRITISH COUNCIL, USA**

## **Notes to the Financial Statements**

**March 31, 2014 and 2013**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated between the program services and general and administrative services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of FOBC.

#### **Income Taxes**

FOBC is exempt from the payment of income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements, and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. FOBC performed an evaluation of uncertain tax positions as of March 31, 2014 and 2013, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of March 31, 2014, the statute of limitations for fiscal years 2011 through 2014 remains open with the U.S. Federal jurisdiction or the state and local jurisdiction in which FOBC files tax returns. Tax year 2010 was the first year of operations for FOBC. It is FOBC's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

#### **Subsequent Events**

FOBC evaluated the accompanying financial statements for subsequent events and transactions through February 17, 2015, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.



## FRIENDS OF THE BRITISH COUNCIL, USA

### Notes to the Financial Statements March 31, 2014 and 2013

#### 3. NOTE PAYABLE

In March 2011, FOBC entered into a loan agreement with BC Holdings (United Kingdom) Limited. BC Holdings (United Kingdom) Limited is the holding company of the British Council, a related party. Under the loan agreement, FOBC was able to draw down a total loan amount of \$249,960, in tranches of no less than \$41,660 each. As of March 31, 2014, FOBC has drawn \$249,960, in accordance with the agreement. At any time, the lender has the right to demand payment or discharge the indebtedness of FOBC. The loan agreement with BC Holdings (United Kingdom) Limited is denoted in British pounds sterling, and values are adjusted to U.S. dollars in the accompanying statements of financial position based on the exchange rate of one British pound sterling equals 1.6664 and 1.5202 U.S. dollars per the Wall Street Journal as of March 31, 2014 and 2013, respectively. Interest on this note payable accrues at the rate of 1 month LIBOR plus 2% per annum. Starting in March 2015, principal and interest payments are due based on a repayment schedule with the final payment due on December 31, 2018. Interest expense was \$6,809 and \$4,173, for the years ended March 31, 2014 and 2013, respectively. The accrued interest payable as of March 31, 2014 and 2013, was \$12,911 and \$6,102, respectively. Future principal payments for the note payable outstanding as of March 31, 2014, were as follows:

<b>For the Years Ending</b>	<b>Amount</b>
<b>March 31,</b>	
2015	\$ 20,830
2016	83,320
2017	83,320
2018	62,490
<b>Total</b>	<b>\$ 249,960</b>

#### 4. TEMPORARILY RESTRICTED NET ASSETS

FOBC has temporarily restricted net assets that were provided for a specific purpose. Temporarily restricted net assets consisted of the following as of March 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Bridging Voices	\$ 150,000	\$ 150,000
Premier Skills USA	17,000	-
National Youth Orchestra of Iraq	1,479	-
<b>Total</b>	<b>\$ 168,479</b>	<b>\$ 150,000</b>

**SUPPLEMENTARY INFORMATION**

**FRIENDS OF THE BRITISH COUNCIL, USA**

**Schedule of Functional Expenses**

**For the Year Ended March 31, 2014, with Comparative Totals for 2013**

	<b>2014</b>				<b>2013 Total</b>
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
		<b>Fundraising</b>	<b>General and Administrative</b>		
Salaries and benefits	\$ 44,638	\$ 33,479	\$ 33,479	\$ 111,596	\$ 48,462
Payroll taxes	3,521	2,641	2,640	8,802	3,607
Professional fees	-	-	11,364	11,364	20,063
Rent	670	503	502	1,675	1,142
Legal fees	-	-	-	-	12,523
State registrations	-	-	632	632	943
Insurance	-	-	1,391	1,391	1,306
Interest expense	2,724	2,043	2,042	6,809	4,173
Foreign currency transaction loss	8,772	6,579	6,579	21,930	-
Travel	2,222	1,667	1,667	5,556	17,166
Postage	-	571	190	761	-
Subscriptions	2,651	2,651	-	5,302	-
Telephone	618	464	464	1,546	-
Grants	177,450	-	-	177,450	380,888
Miscellaneous	-	-	1,318	1,318	1,022
<b>Total</b>	<b>\$ 243,266</b>	<b>\$ 50,598</b>	<b>\$ 62,268</b>	<b>\$ 356,132</b>	<b>\$ 491,295</b>

# FRIENDS OF THE BRITISH COUNCIL, USA

## Schedule of Functional Expenses For the Year Ended March 31, 2013

	2013			
	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 14,539	\$ 14,539	\$ 19,384	\$ 48,462
Payroll taxes	1,082	1,082	1,443	3,607
Professional fees	3,360	-	16,703	20,063
Rent	-	-	1,142	1,142
Legal fees	-	-	12,523	12,523
State registrations	-	-	943	943
Insurance	-	-	1,306	1,306
Interest expense	-	-	4,173	4,173
Travel	5,150	5,150	6,866	17,166
Grants	380,888	-	-	380,888
Miscellaneous	-	-	1,022	1,022
<b>Total</b>	<u>\$ 405,019</u>	<u>\$ 20,771</u>	<u>\$ 65,505</u>	<u>\$ 491,295</u>