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**IIT BOMBAY HERITAGE FOUNDATION**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**IIT BOMBAY HERITAGE FOUNDATION**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
IIT Bombay Heritage Foundation  
Cupertino, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of IIT Bombay Heritage Foundation, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IIT Bombay Heritage Foundation as of December 31, 2014, 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.

*Peter J. Anagnostis, LLP*

Oakland, California

July 14, 2015

**IIT BOMBAY HERITAGE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

**Assets**

Current assets

Cash and cash equivalents	\$	2,743,768
Investments (Note 3)		3,380,214
Accounts receivable		9,656
Other assets (Note 6)		36,540
Total current assets		<u>6,170,178</u>

Property and equipment (Note 4)

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Total assets	\$	<u><u>6,170,178</u></u>
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**Liabilities and net assets**

Current liabilities

Accounts payable	\$	9,506
Other current liabilities		1,050
Total current liabilities		<u>10,556</u>

Net assets

Unrestricted net assets		1,397,956
Temporarily restricted net assets (Note 5)		4,761,666
Total net assets		<u>6,159,622</u>
Total liabilities and net assets	\$	<u><u>6,170,178</u></u>

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

**IIT BOMBAY HERITAGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenues:</b>			
Contributions	\$ 68,165	\$ 1,472,443	\$ 1,540,608
Special events		38,775	38,775
Investment income (loss)	104,442	(12,615)	91,827
Other income		578	578
	<u>172,607</u>	<u>1,499,181</u>	<u>1,671,788</u>
Total support and revenues			
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,427,219</u>	<u>(2,427,219)</u>	
Total support and revenues	<u>2,599,826</u>	<u>(928,038)</u>	<u>1,671,788</u>
<b>Expenses:</b>			
Program services	2,597,952		2,597,952
Supporting services:			
General administration	35,180		35,180
Fundraising	58,540		58,540
	<u>2,691,672</u>		<u>2,691,672</u>
Total expenses			
Change in net assets	(91,846)	(928,038)	(1,019,884)
Net assets at beginning of year	<u>1,489,802</u>	<u>5,689,704</u>	<u>7,179,506</u>
Net assets at end of year	<u>\$ 1,397,956</u>	<u>\$ 4,761,666</u>	<u>\$ 6,159,622</u>

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

**IIT BOMBAY HERITAGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>General Administration</u>	<u>Fundraising</u>	<u>Total</u>
Grant to IIT Bombay, India	\$ 2,529,360	\$	\$	\$ 2,529,360
Professional services	13,140	8,777	20,723	42,640
Event expenses	39,809			39,809
Rent		6,458		6,458
Web service charges	14,178	6,252	10,830	31,260
Insurance		3,488		3,488
Office supplies	763	152	736	1,651
Bank charges			13,626	13,626
Other expenses	702	10,053	12,625	23,380
	<u>702</u>	<u>10,053</u>	<u>12,625</u>	<u>23,380</u>
Total expenses	\$ <u>2,597,952</u>	\$ <u>35,180</u>	\$ <u>58,540</u>	\$ <u>2,691,672</u>

The accompanying notes are an integral part of these financial statements

**IIT BOMBAY HERITAGE FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash flows from operating activities:	
Change in net assets	\$ (1,019,884)
Adjustments to reconcile change in net assets to net cash used	
by operating activities:	
Gain on investment	(18,213)
Contribution of investment securities	(39,465)
Increase (Decrease) in:	
Increase in accounts receivable	45,994
Decrease in accounts payable	4,106
Increase in other liabilities	(1,000)
	<hr/>
Net cash used by operating activities	<u>(1,028,462)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	1,464,148
Purchase of investments	(2,315,900)
	<hr/>
Net cash used by investing activities	<u>(851,752)</u>
Net decrease in cash and cash equivalents	(1,880,214)
Cash and cash equivalents at beginning of year	<u>4,623,982</u>
Cash and cash equivalent at end of year	<u>\$ 2,743,768</u>

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

**IIT BOMBAY HERITAGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 1: OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

a) Nature of Activities

IIT Bombay Heritage Foundation (IITBHF) is a nonprofit organization incorporated in California in 1996 by alumni of Indian Institute of Technology, Bombay (IIT Bombay), one of the top-ranked engineering schools in the world. IITBHF provides financial support to IIT Bombay and its students, in addition to alumni services such as job placement assistance, monthly newsletters and online discussion forums. IITBHF is supported primarily through contributions from IIT Bombay alumni.

b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles and accordingly, reflect all significant receivables, payables, and other liabilities.

c) Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets, in accordance with accounting principles generally accepted in the United States of America.

d) Significant Accounting Policies

Classes of net assets

Unrestricted net assets: These represent funds which are fully available, at the discretion of management and the Board of Directors, for IITBHF to utilize in any of its programs or operations. Also, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Temporarily restricted net assets: These are comprised of funds which are restricted by donor for specific purpose or time periods. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: These are subject to donor-imposed stipulations that they be maintained permanently by IITBHF. There were no permanently restricted net assets during the year.

**IIT BOMBAY HERITAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

*Cash and cash equivalents*

IITBHF considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Investments*

Investments consist of marketable debt and equity securities and are measured at fair value. Realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets.

*Property and Equipment*

Acquisition of property and equipment in excess of \$2,000 are capitalized. Property and equipment are carried at cost or, if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method with estimated useful lives, ranging from five to seven years.

*Fair Value of Financial Instruments*

IITBHF believes that the carrying value of its financial instruments approximates their fair values. 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 measurement:

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.

**IIT BOMBAY HERITAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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 Association 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 IITBHF 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.

*Revenue Recognition*

Unconditional grants and contributions are recorded when committed. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, and those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

*Expense allocation*

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 IITBHF.

*Conditional Pledge*

Sometimes, IITBHF enters into memorandum of understanding with donors who pledge to give a certain amount for promoting work in specific areas. The funding under these MOUs is generally given over a period of few years and is subject to certain conditions determined by donors. Since these pledges to give are subject to certain conditions as determined by donors, IITBHF does not record this as contribution revenue until in the year in which the amount is received after the donor's conditions are met.

e) *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.

**IIT BOMBAY HERITAGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

f) Income Tax

IITBHF 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. IITBHF 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 IITBHF 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. IITBHF's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

**NOTE 2: CONCENTRATIONS OF CREDIT RISK**

IITBHF maintains its cash accounts with few financial institutions. 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 December 31, 2014, the amount of balance maintained by IITBHF with these institutions which exceeded the federally insured limit was \$2,207,005.

**NOTE 3: INVESTMENTS**

The following table summarizes the carrying amount and fair value of investments at December 31, 2014:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Fixed income	\$ 201,864	\$ 201,864
Mutual funds	1,955,780	1,955,780
ETFs	<u>1,222,570</u>	<u>1,222,570</u>
	<u>\$ 3,380,214</u>	<u>\$ 3,380,214</u>

**IIT BOMBAY HERITAGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**FAIR VALUE MEASUREMENTS**

Information related to IITBH's assets measured at fair value on a recurring basis at December 31, 2014 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income	\$ 201,864	\$ 201,864	\$	\$
Mutual funds	1,955,780	1,955,780		
ETFs	<u>1,222,570</u>	<u>1,222,570</u>		
Total investments	<u>\$ 3,380,214</u>	<u>\$ 3,380,214</u>	<u>\$</u>	<u>\$</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment and accumulated depreciation at December 31, 2014 are as follows:

Software	\$ 11,513
Computer equipment	2,383
Furniture and equipment	<u>2,050</u>
Total property and equipment, at cost	15,946
Less: accumulated depreciation	<u>(15,946)</u>
Total property and equipment, net	<u>\$ -0-</u>

**IIT BOMBAY HERITAGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 5: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions with donor-stipulated restrictions to be used for specific purposes.

At December 31, 2014, IIT Bombay Heritage Fund Inc.'s donor-restricted net assets consisted of the following:

Infrastructure Fund	\$ 3,398,364
Scholarship and Academic Excellence Award Fund	252,476
Legacy Fund	968,762
Department Fund	107,706
Hostel Fund	14,891
Misc Project Funds	<u>19,467</u>
Total temporarily restricted net assets	\$ <u><u>4,761,666</u></u>

**NOTE 6: OTHER ASSETS**

In December 2014, IITBHF received a donation of 42,000 shares of a privately held company. Based on the valuation report of the company as of December 31, 2014, the shares have been valued at \$36,540. Since IITBHF does not intend to hold these shares for investment purposes, the same are shown as other assets in the accompanying financial statements.

**NOTE 7: EVALUATION OF SUBSEQUENT EVENTS**

IITBHF reviewed the results of operations for the period of time from its year end December 31, 2014 through July 14, 2015, the date the financial statements were 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.