

FRIENDS OF INDUS HOSPITAL, INC.

A NON-PROFIT ORGANIZATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(With Independent Auditor's Report)

FRIENDS OF INDUS HOSPITAL, INC.
Financial Statements
December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Friends of Indus Hospital, Inc.

We have audited the accompanying financial statements of Friends of Indus Hospital, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 audits 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 Friends of Indus Hospital, Inc. as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

P&K CPAs LLC

Parsippany, New Jersey
August 10, 2021

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Financial Position
December 31, 2019 and 2018

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets:		
Cash	\$ 5,416,910	\$ 2,977,175
Contributions receivable	<u>152,900</u>	<u>-</u>
Total assets:	<u>\$ 5,569,810</u>	<u>\$ 2,977,175</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 6,508	\$ 14,325
Accrued expenses	1,192,738	72,715
Payroll taxes payable	<u>1,017</u>	<u>396</u>
Total liabilities:	<u>1,200,263</u>	<u>87,436</u>
Net Assets:		
Without donor restrictions	3,813,514	2,551,233
With donor restrictions	<u>556,033</u>	<u>338,506</u>
Total net assets:	<u>4,369,547</u>	<u>2,889,739</u>
Total liabilities and net assets:	<u>\$ 5,569,810</u>	<u>\$ 2,977,175</u>

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating activities:						
Revenues and support:						
General donations	\$ 2,968,824	\$ -	2,968,824	\$ 2,820,391	\$ -	2,820,391
Zakat fund income	-	2,660,303	2,660,303	-	1,317,315	1,317,315
Hospital expansion	-	553,031	553,031	-	1,021,987	1,021,987
Sadqa	-	94,974	94,974	-	35,137	35,137
Pehla Qadam donation	-	49,846	49,846	-	27,733	27,733
Equipment	-	63,027	63,027	-	12,077	12,077
Firdos liver center	-	48,609	48,609	-	7,494	7,494
Cancer funds	-	-	-	-	5,000	5,000
Fundraising tickets and donations	140,196	-	140,196	48,090	-	48,090
Hall rental	-	-	-	600	-	600
Auctions	10,510	-	10,510	-	-	-
Net assets released from restrictions	3,252,263	(3,252,263)	-	2,426,743	(2,426,743)	-
Total revenues and support:	6,371,793	217,527	6,589,320	5,295,824	-	5,295,824
Expenses:						
Program services:						
Hospital expansion and other services	4,366,355	-	4,366,355	2,584,606	-	2,584,606
Total program services:	4,366,355	-	4,366,355	2,584,606	-	2,584,606
Supporting services:						
Fundraising	568,619	-	568,619	375,666	-	375,666
General and administrative	177,362	-	177,362	164,271	-	164,271
Total supporting services:	745,981	-	745,982	539,937	-	539,937
Total expenses:	5,112,336	-	5,112,336	3,124,543	-	3,124,543
Changes in net assets from operating activities:	1,259,457	217,527	1,476,984	2,171,281	-	2,171,281
Non-Operating activities:						
Interest income	2,824	-	2,824	-	-	-
Changes in net assets:	1,262,281	217,527	1,479,808	2,171,281	-	2,171,281
Net assets - beginning of year:	2,551,233	338,506	2,889,739	379,952	338,506	718,458
Net assets - end of year:	\$ 3,813,514	\$ 556,033	\$ 4,369,547	\$ 2,551,233	\$ 338,506	\$ 2,889,739

See independent auditor's report and notes to financial statements.

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019			2018				
	Hospital Expansion and Other Services	Fundraising	General and Administrative	Total	Hospital Expansion and Other Services	Fundraising	General and Administrative	Total
Hospital expansion	\$ 3,886,061	\$ -	\$ -	\$ 3,886,061	\$ 2,443,833	\$ -	\$ -	\$ 2,443,833
Medical equipment, services and software	271,973	-	-	271,973	51,178	-	-	51,178
Laboratory services	174,508	-	-	174,508	68,922	-	-	68,922
Consulting and other	33,813	-	-	33,813	20,673	-	-	20,673
Fundraising costs	-	332,368	-	332,368	-	286,148	-	286,148
Advertising and marketing	-	106,118	-	106,118	-	46,518	-	46,518
Auto and travel	-	49,442	-	49,442	-	-	305	305
Registration fees	-	-	14,806	14,806	-	-	-	-
Professional fees	-	80,691	30,898	111,589	-	43,000	95,450	138,450
Bank and credit card charges	-	-	49,475	49,475	-	-	23,791	23,791
Insurance	-	-	2,160	2,160	-	-	2,148	2,148
Licenses and permits	-	-	2,721	2,721	-	-	3,226	3,226
Office expense	-	-	19,700	19,700	-	-	10,739	10,739
Salaries and payroll taxes	-	-	57,602	57,602	-	-	28,612	28,612
Total expenses:	\$ 4,366,355	\$ 568,619	\$ 177,362	\$ 5,112,336	\$ 2,584,606	\$ 375,666	\$ 164,271	\$ 3,124,543

See independent auditor's report and notes to financial statements.

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,476,984	\$ 2,171,281
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(152,900)	250,000
Accounts payable	(7,817)	14,000
Accrued expenses	1,120,023	72,715
Payroll taxes payable	621	396
Net cash provided by operating activities:	<u>2,436,911</u>	<u>2,508,392</u>
Net increase in cash:	2,436,911	2,508,392
Cash, beginning of year:	<u>2,977,175</u>	<u>468,783</u>
Cash, end of year:	<u>\$ 5,414,086</u>	<u>\$ 2,977,175</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

FRIENDS OF INDUS HOSPITAL, INC.
Financial Statements
December 31, 2019 and 2018

NOTE 1 - ORGANIZATION AND PURPOSE

Friends of Indus Hospital, Inc. (the 'FOIH' or "Organization") is a nonprofit New Jersey corporation established in 2006.

The Organization's mission is to support the Indus Health Network, which is Pakistan's first state of the art network of multidisciplinary healthcare facilities and services. FIOH supports The Indus Hospital, located in Karachi, a state-of-the-art care center providing quality healthcare to everyone in Pakistan completely free of charge.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of FOIH have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

BASIS OF PRESENTATION

The Organization has adopted Accounting Standards Update ("ASU") NO. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 became effective for annual reporting periods beginning after December 15, 2017. These financial statements have been prepared to focus on the FOIH as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and presented as follows:

- Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions, either for a specific purpose, subject to the passage of time or when the original dollar value is to remain in perpetuity as a permanent endowment of the Organization.

MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

CONTRIBUTIONS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

FRIENDS OF INDUS HOSPITAL, INC.
Financial Statements
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and, as such, believes it is not exposed to any significant credit risk on cash.

CONTRIBUTIONS RECEIVABLE

Contributions receivable are pledges by donors that are expected to be collected within one year and are recorded at net realizable value.

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing various programs and support services have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently supplied.

In the course of fulfilling its mission and purpose, each year the Organization authorizes distribution of certain grants for medical care at participating hospitals. The authorized distributions are recorded as program expenses in the financial statements of the Organization when the grants are approved.

ADVERTISING

The Organization expenses all advertising costs in the year incurred. Advertising and marketing expenses for the years ended December 31, 2019 and 2018 were \$106,118 and \$46,518, respectively.

INCOME TAXES

FOIH is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes have been made.

Management has analyzed the tax positions taken by FOIH and has concluded that as of December 31, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The federal tax returns of FOIH for the years ended December 31, 2016 through 2018 are subject to examination by the IRS and other taxing authorities, generally for three years after they were filed.

FAIR VALUE MEASUREMENTS

The FOIH considers the carrying amounts of financial instruments, including cash and accounts payable to approximate their fair values because of their relatively short maturities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FRIENDS OF INDUS HOSPITAL, INC.
Financial Statements
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject FOIH to concentrations of credit risk consist principally of cash deposits held in financial institutions. FOIH maintains its cash in bank deposit accounts, which, at times may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2019, \$4,824,580 was held in two bank accounts that exceeded the federally insured limit of \$250,000. At December 31, 2018, \$2,685,316 was held in one bank that exceeded the federally insured limit of \$250,000.

NOTE 3 - CONTRIBUTIONS

All support comes from corporations, foundations, trusts, other charitable organizations, and individuals. Additional income is received from the Organization's fundraising events.

Two charitable foundations and one individual accounted for approximately 14% of total support and revenue for the year ended December 31, 2019. One individual accounted for approximately 19% of total support and revenue for the year ended December 31, 2018.

NOTE 4 - DONATED SERVICES

Contributions of services are recorded as both revenue and expense in the fiscal year in which they are received, provided that the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the year, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time does not meet the criteria for recognition of contributed service required under generally accepted accounting principles and, accordingly, is not included in the accompanying financial statements

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Zakat/Sadqa	\$217,528	\$ -
Pehla Qadam	116,564	116,564
Pehla Qadam Zakat	50,941	50,941
Medical Equipment	119,300	119,300
Medical Specialties	10,500	10,500
Children Cancer	19,850	19,850
Firdos Liver Center	21,150	21,151
Blood Bank	200	200
Total	<u>\$556,033</u>	<u>\$338,506</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Board members and their related entities contribute to FOIH's revenue. Two board members contributed \$6,651 during the year ended December 31, 2019. Three board members contributed \$4,920 during the year ended December 31, 2018.

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NOTE 7- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

FOIH's financial assets available within one year of the balance sheet date for general expenditure consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets, at year end		
Cash	\$5,416,910	\$2,977,175
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(556,033)</u>	<u>(338,506)</u>
Financial assets, at year end:		
Financial assets available to meet cash needs for general expenditures within one year restrictions	<u>\$4,860,877</u>	<u>\$2,638,669</u>

FOIH manages its financial assets to be available as its operating expenditures, liabilities, and other obligations as they become due.

NOTE 8 – FUNDRAISING EVENTS AND COSTS

The Organization sponsored several events during the years ended December 31, 2019 and 2018, to raise additional funds for its charitable activities. Contributions derived from such events amounted to \$140,196 and \$48,090 for the years ended December 31, 2019 and 2018.

FOIH incurs various costs to raise funds and solicit additional contributions. Fundraising costs include expenses for hotel and hall rentals, food, guest speakers, audio and visual, printing, supplies and security.

NOTE 9 - IMPACT OF COVID-19

FOIH's depends heavily on grants and contributions for its support. The ability of FOIH's grantors and contributors to continue giving amounts comparable with prior years is dependent upon future economic conditions.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events through August 10, 2021, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the financial statements.