

FRIENDS OF INDUS HOSPITAL, INC.

A NON-PROFIT ORGANIZATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(With Independent Auditor's Report)

FRIENDS OF INDUS HOSPITAL, INC.
Financial Statements
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Friends of Indus Hospital

Opinion

We have audited the accompanying financial statements of Friends of Indus Hospital (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Indus Hospital as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of Indus Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Indus Hospital's ability to continue as a going concern for a reasonable period of time.

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

P&K CPA LLC

Parsippany, New Jersey
September 15, 2023

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Financial Position
December 31, 2022 and 2021

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 13,673,837	\$ 6,559,599
Contributions receivable	71,384	155,352
Other current assets	-	3,500
Total assets	<u><u>\$ 13,745,221</u></u>	<u><u>\$ 6,718,451</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 8,728	\$ 42,766
Accrued expenses	7,406,313	2,433,801
Payroll taxes payable	270	162
Total liabilities	<u>7,415,311</u>	<u>2,476,729</u>
Net Assets		
Without donor restrictions	6,329,910	4,241,722
With donor restrictions	-	-
Total net assets	<u>6,329,910</u>	<u>4,241,722</u>
Total liabilities and net assets	<u><u>\$ 13,745,221</u></u>	<u><u>\$ 6,718,451</u></u>

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	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	\$ 8,050,887	\$ -	\$ 8,050,887	\$ 4,045,701	\$ -	\$ 4,045,701
Zakat fund income	-	6,508,151	6,508,151	-	4,999,295	4,999,295
Hospital expansion	-	139,349	139,349	-	63,453	63,453
Sadqa	-	629,085	629,085	-	380,768	380,768
Equipment	-	119,328	119,328	-	49,636	49,636
Fundraising tickets and donations	277,004	-	277,004	4,379	-	4,379
Less: costs of direct benefits to donors	(265,547)	-	(265,547)	-	-	-
Miscellaneous income	1,536	-	1,536	33,812	-	33,812
Net assets released from restrictions	<u>7,395,913</u>	<u>(7,395,913)</u>	<u>-</u>	<u>5,497,502</u>	<u>(5,497,502)</u>	<u>-</u>
Total revenues and support	<u>15,459,793</u>	<u>-</u>	<u>15,459,793</u>	<u>9,581,394</u>	<u>(4,350)</u>	<u>9,577,044</u>
Expenses						
Program services						
Hospital expansion and other services	<u>11,439,740</u>	<u>-</u>	<u>11,439,740</u>	<u>7,729,404</u>	<u>-</u>	<u>7,729,404</u>
Total program services	<u>11,439,740</u>	<u>-</u>	<u>11,439,740</u>	<u>7,729,404</u>	<u>-</u>	<u>7,729,404</u>
Supporting services						
Fundraising	1,826,239	-	1,826,239	492,428	-	492,428
General and administrative	<u>115,718</u>	<u>-</u>	<u>115,718</u>	<u>284,295</u>	<u>-</u>	<u>284,295</u>
Total supporting services	<u>1,941,957</u>	<u>-</u>	<u>1,941,957</u>	<u>776,723</u>	<u>-</u>	<u>776,723</u>
Total expenses	<u>13,381,697</u>	<u>-</u>	<u>13,381,697</u>	<u>8,506,127</u>	<u>-</u>	<u>8,506,127</u>
Changes in net assets from operating activities	2,078,096	-	2,078,096	1,075,267	(4,350)	1,070,917
Non-Operating activities						
Interest and dividend income	<u>10,092</u>	<u>-</u>	<u>10,092</u>	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Changes in net assets:	2,088,188	-	2,088,188	1,077,467	(4,350)	1,073,117
Net assets - beginning of year	<u>4,241,722</u>	<u>-</u>	<u>4,241,722</u>	<u>3,164,255</u>	<u>4,350</u>	<u>3,168,605</u>
Net assets - end of year	<u>\$ 6,329,910</u>	<u>\$ -</u>	<u>\$ 6,329,910</u>	<u>\$ 4,241,722</u>	<u>\$ -</u>	<u>\$ 4,241,722</u>

FRIENDS OF INDUS HOSPITAL, INC.
Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Hospital Expansion and Other Services	Fundraising	General and Administrative	Total	Hospital Expansion and Other Services	Fundraising	General and Administrative	Total
Hospital construction and expansion	11,062,800	\$ -	\$ -	\$ 11,062,800	\$ 5,448,745	\$ -	\$ -	\$ 5,448,745
Medical equipment, services and software	-	-	-	-	2,193,457	-	-	2,193,457
Laboratory services	338,582	-	-	338,582	85,399	-	-	85,399
Bank charges	-	370,708	-	370,708	-	-	146,710	146,710
Professional fees	35,700	195,960	29,085	260,745	-	72,000	81,854	153,854
Consulting and other	2,658	-	-	2,658	1,803	-	-	1,803
Event production	-	275,213	-	275,213	-	6,115	-	6,115
Advertising and marketing	-	885,769	-	885,769	-	414,313	-	414,313
Auto and travel	-	91,676	-	91,676	-	-	-	-
Licenses, permit and registration fees	-	6,913	15,709	22,622	-	-	-	-
Insurance	-	-	1,018	1,018	-	-	2,033	2,033
Office expense	-	-	37,079	37,079	-	-	20,594	20,594
Salaries and payroll taxes	-	-	32,827	32,827	-	-	33,104	33,104
Total expenses	\$ 11,439,740	\$ 1,826,239	\$ 115,718	\$ 13,381,697	\$ 7,729,404	\$ 492,428	\$ 284,295	\$ 8,506,127

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, 2022 and 2021

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash flows from operating activities		
Changes in net assets from operating activities	\$ 2,078,096	\$ 1,070,917
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Contributions receivable	83,968	(82,852)
Other current assets	3,500	(3,500)
Accounts payable	(34,038)	(21,444)
Accrued expenses	4,972,512	(21,784)
Payroll taxes payable	108	(207)
Net cash provided by operating activities	<u>7,104,146</u>	<u>941,130</u>
Cash flows from investing activities		
Interest and dividends received	10,092	2,200
Net cash provided by investing activities	<u>10,092</u>	<u>2,200</u>
Net increase in cash and cash equivalents	7,114,238	943,330
Cash and cash equivalents, beginning of year	<u>6,559,599</u>	<u>5,616,269</u>
Cash and cash equivalents, end of year	<u>\$ 13,673,837</u>	<u>\$ 6,559,599</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

FRIENDS OF INDUS HOSPITAL, INC.
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND PURPOSE

Friends of Indus Hospital, Inc. ("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. FOIH supports The Indus Hospital, located in Karachi, and Lahore, two state-of-the-art care centers 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 trustees.
- 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. Some donor restrictions are temporary in nature, which will be met by actions of the Board or passage of time.

ACCOUNTING PRONOUNCEMENTS ADOPTED

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. This ASU became effective for annual reporting periods beginning after December 15, 2019. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended December 31, 2020. Management has determined that this ASU does not have a significant impact on the financial statements.

The FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958 or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. Analysis of various provisions of the adopted ASU resulted in no significant changes in the way the Organization recognizes revenue.

FRIENDS OF INDUS HOSPITAL, INC.
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CASH AND CASH EQUIVALENTS

At December 31, 2022, cash and cash equivalents consist of deposits held in checking, savings, and money market accounts. FOIH considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

CONTRIBUTIONS RECEIVABLE

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

FUNCTIONAL ALLOCATION OF 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. Professional fees are attributable to more than one program or supporting function and are allocated based on time and effort..

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, 2022 and 2021 were \$885,769 and \$414,313, respectively.

FRIENDS OF INDUS HOSPITAL, INC.
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021, 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, 2020 through 2022 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 cash equivalents, receivables, payables and accrued expenses 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.

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 \$250,000 federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022, \$12,300,125 was held in two bank accounts that was uninsured. At December 31, 2021, \$5,368,773 was held in three bank accounts that was uninsured.

NOTE 3 - CONTRIBUTIONS

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

Three charitable foundations, three individuals/families, two charitable funds, one trust, and one limited liability company, accounted for approximately 12% of total support and revenue for the year ended December 31, 2022.

NOTE 4 - RELATED PARTY TRANSACTIONS

Board members and/or their related entities contribute to FOIH's revenue. Board members and/or their related entities contributed \$106,195 during the year ended December 31, 2022.

NOTE 5 - FUNDRAISING EVENTS AND COSTS

Ticket income derived from such events amounted to \$277,004 and \$4,379 for the years ended December 31, 2022 and 2021, respectively. Other contributions are received from donors at these events.

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.

FRIENDS OF INDUS HOSPITAL, INC.
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 6 - 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 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2022</u>	<u>2021</u>
Financial assets, at year end		
Cash and cash equivalents	\$13,673,837	\$6,559,599
Contributions receivable	71,384	155,352
Other current assets	-	3,500
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	_____ -	_____ -
Financial assets, at year end		
Financial assets available to meet cash needs for general expenditures within one year restrictions	<u>\$13,745,221</u>	<u>\$6,718,451</u>

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

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events through August 31, 2023, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the financial statements.