

THE CITIZENS FOUNDATION, USA
FINANCIAL STATEMENTS

December 31, 2010

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

THE CITIZENS FOUNDATION, USA

FINANCIAL STATEMENTS

December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
The Citizens Foundation, USA
Schaumburg, Illinois

We have audited the accompanying statements of financial position of The Citizens Foundation, USA (TCF-USA) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the TCF-USA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Citizens Foundation, USA as of December 31, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Schaumburg, Illinois
March 1, 2011

Mirza Baig & Company

THE CITIZENS FOUNDATION, USA
STATEMENT OF FINANCIAL POSITION
As of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 634,355	1,782,653	105,605	\$ 2,522,613
Total current assets	<u>634,355</u>	<u>1,782,653</u>	<u>105,605</u>	<u>2,522,613</u>
Fixed assets - at costs (net of accumulated depreciation of \$4,177)	4,465	-	-	4,465
	<u>4,465</u>	<u>-</u>	<u>-</u>	<u>4,465</u>
Other assets:				
Investment	-	-	1,015,210	1,015,210
Accumulated valuation on investment	-	-	(2,422)	(2,422)
	<u>-</u>	<u>-</u>	<u>1,012,788</u>	<u>1,012,788</u>
Total assets	<u>638,820</u>	<u>1,782,653</u>	<u>1,118,393</u>	<u>3,539,866</u>
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	8,592	-	-	8,592
Accrued salaries and taxes	7,543	-	-	7,543
Total current liabilities	<u>16,135</u>	<u>-</u>	<u>-</u>	<u>16,135</u>
Total Liabilities	<u>16,135</u>	<u>-</u>	<u>-</u>	<u>16,135</u>
Net assets:				
Permanently restricted	-	-	1,118,393	1,118,393
Temporarily restricted	-	1,782,653	-	1,782,653
Unrestricted	622,685	-	-	622,685
Total net assets	<u>622,685</u>	<u>1,782,653</u>	<u>1,118,393</u>	<u>3,523,731</u>
Total liabilities and net assets	<u>\$ 638,820</u>	<u>1,782,653</u>	<u>1,118,393</u>	<u>3,539,866</u>

see accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA

STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Public support:				
Contributions	\$ 300,166	\$ 3,126,007		\$ 3,426,173
Zakat Contributions	56,587	151,230	-	207,817
Special events/Fundraising (Net)	-	244,239	-	244,239
In-kind contributions	1,380	-	-	1,380
Net assets released from restrictions	2,285,442	(2,285,442)	-	-
Total public support	<u>2,643,575</u>	<u>1,236,034</u>	<u>-</u>	<u>3,879,609</u>
Revenues:				
Interest and Investment income	-	-	20,003	20,003
Gain/Loss from investments	1,668	-	78,236	79,904
Total revenues	<u>1,668</u>	<u>-</u>	<u>98,239</u>	<u>99,907</u>
Total public support and revenues	<u>\$ 2,645,243</u>	<u>\$ 1,236,034</u>	<u>\$ 98,239</u>	<u>\$ 3,979,516</u>
EXPENSES:				
Program services:				
Stock-a -Library	958	-	-	958
Educate -a- Child	17,139	-	-	17,139
Campus Construction	1,147,359	-	-	1,147,359
Project Grants	510,588	-	-	510,588
Campus Operation	527,253	-	-	527,253
Scholarship Program	72,823	-	-	72,823
Total program services	<u>2,276,120</u>	<u>-</u>	<u>-</u>	<u>2,276,120</u>
Supporting services:				
Management and general	234,964	-	-	234,964
Fundraising	9,322	-	-	9,322
Total supporting services	<u>244,286</u>	<u>-</u>	<u>-</u>	<u>244,286</u>
Total expenses	<u>2,520,406</u>	<u>-</u>	<u>-</u>	<u>2,520,406</u>
Increase/(decrease) in net assets	\$ 124,837	\$ 1,236,034	\$ 98,239	\$ 1,459,110
Unrestricted net assets, beginning of year	497,848	546,619	1,020,154	2,064,621
Unrestricted net assets, end of year	<u>\$ 622,685</u>	<u>\$ 1,782,653</u>	<u>\$ 1,118,393</u>	<u>\$ 3,523,731</u>

See accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA

STATEMENT OF CASH FLOWS
For the years ended December 31, 2010

CASH FLOW FROM OPERATING ACTIVITIES:

(Decrease) Increase in net assets	\$1,459,110
Adjustments to reconcile increase in net assets to net cash Provided by operating activities:	
Depreciation	1,575
Increase in operating assets:	
(Increase) in accounts payable	2,863
(Decrease) in accrued payroll and taxes	(622)
Unrealized/Realized gain from investments	(98,239)
Net cash provided by operating activities	<u>1,364,687</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to property and equipment	(2,393)
Net cash used by investing activities	<u>(2,393)</u>

Net (Decrease) Increase in Cash and Cash Equivalents 1,362,294

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,160,319

CASH AND CASH EQUIVALENTS, END OF YEAR \$2,522,613

See accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2010

	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES	
	Stock-a-Library	Educate-a-Child	Campus Construction	Project Grants	Campus Operation	Scholarship program	Management and General		Fundraising
Salaries and related expenses:									
Salaries	-	\$ -	-	\$ -	-	-	\$ 144,001	\$ -	\$ 144,001
Payroll taxes and benefits	-	-	-	-	-	-	11,016	-	11,016
Total salaries and related expenses	-	-	-	-	-	-	155,017	-	155,017
Travel	-	-	-	-	-	-	2,999	-	2,999
Occupancy	-	-	-	-	-	-	5,400	-	5,400
Supplies and Expense	-	-	-	-	-	-	922	-	922
Professional fees	-	-	-	-	-	-	7,010	-	7,010
Program expense	958	17,139	1,147,359	510,588	527,253	72,823	-	-	2,276,120
Postage and Deliveries	-	-	-	-	-	-	2,243	-	2,243
Printing	-	-	-	-	-	-	600	-	600
Insurance	-	-	-	-	-	-	2,457	-	2,457
Miscellaneous	-	-	-	-	-	-	268	-	268
Marketing and Promotions	-	-	-	-	-	-	27,626	-	27,626
Bank service charge	-	-	-	-	-	-	2,101	-	2,101
Telephone and Internet	-	-	-	-	-	-	3,439	-	3,439
Merchant Service Charges	-	-	-	-	-	-	21,927	-	21,927
Special Events/ Fundraising	-	-	-	-	-	-	-	9,322	9,322
In-kind expenses	-	-	-	-	-	-	1,380	-	1,380
Total expenses before depreciation	958	17,139	1,147,359	510,588	527,253	72,823	233,389	9,322	2,518,831
Depreciation	-	-	-	-	-	-	1,575	-	1,575
TOTAL EXPENSES	\$ 958	\$ 17,139	\$ 1,147,359	\$ 510,588	\$ 527,253	\$ 72,823	\$ 234,964	\$ 9,322	\$ 2,520,406

See accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Activities

The Citizens Foundation, USA (TCF-USA) was incorporated in May of 2002 under the laws of Illinois, as a non-profit corporation. The mission of the organization is to provide comprehensive, scientific, and secular education to the underprivileged segment of Pakistani Society. The Citizens Foundation, USA directs programmatic initiatives to build, equip, and operate schools.

(b) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

(d) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Non-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(e) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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.

(f) Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(g) Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

THE CITIZENS FOUNDATION, USA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

(h) Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of activities. Investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investments balances and the amounts reported in the financial statements.

(i) Fixed Assets

TCF-USA follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of \$500. Depreciation or amortization of all such items is computed on a straight-line basis over the estimated useful lives of three to seven years.

(j) Income Taxes

TCF-USA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has not made provision for Federal income taxes in the accompanying financial statements.

(k) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of December 31, 2010 cash and cash equivalent consists of the following:

Checking Accounts	\$ 49,310
Money Market Account	2,473,303

	\$2,522,613
	=====

THE CITIZENS FOUNDATION, USA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS - (CONTINUED)

TCF-USA maintains its cash balances in a financial institution located in Chicago, Illinois. Deposits in Money Market accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution, and with no caps on checking accounts. At December 31, 2010, uninsured amounts totaled \$2,272,613

NOTE 3 – FIXED ASSETS

As of December 31, 2010 fixed assets consists of the following:

Furniture and equipment	\$ 8,642
Less: Accumulated Depreciation	(4,177)
	<u>-----</u>
	<u> \$4,465</u>

NOTE 4 – INVESTMENTS

As of December 31, 2010, investments consisted of the following:

Money market funds	\$ 70,207
Stocks	942,581
	<u>-----</u>
	<u> \$1,012,788</u>

As of December 31, 2010, the market value of the TCF-USA's investments restricted for long-term purposes had increased by approximately \$98,239. This was entirely the result of increases in the securities fair market value.

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are donor-restricted and considered an endowment for the continuity of TCF. The endowment consists of contributions received from donors with stipulations that the principal be invested and the income used for the operating expenses of TCF schools built in the region impacted by the 2005 earth quake in Pakistan. Currently, the Funds are invested in mutual funds and money market funds. The entire amount was classified as permanently restricted net assets. As of December 31, 2010 the fair market value of investments amounted to \$1,012,788.

THE CITIZENS FOUNDATION, USA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 are available for the following purposes:

Stock-a-Library	\$ 5,189
Educate-a-Child (K-10)	56,997
Campus Construction	633,659
Campus Operation	340,945
Scholarship Program	17,754
Project Grants	811,228

	<u>\$1,865,772</u>

NOTE 7 – DONATED SERVICES, MATERIALS, AND FACILITIES

TCF-USA receives donated services from a variety of unpaid volunteers assisting the organization in various programs. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition of such volunteers' effort under SFAS No. 116 have not been satisfied. The Organization also receives donated materials from various organizations. The amounts have been recognized at fair market value in the accompanying statement of activities as follows:

Jewelry	\$1,000
Materials	150
Food	100

	<u>\$1,380</u>

NOTE 8 – SPECIAL EVENTS/FUNDRAISING

Special events reported include, but are not limited to, the Annual Galas, and other fundraising endeavors. Gross revenues from these events were \$308,714 and total expenses were \$64,475, yielding net proceeds from special events in the amount of \$244,239.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL SCHEDULE

To the Board of Directors
The Citizens Foundation, USA

Our audits were performed for the purpose of forming an opinion on the basic financial statements of The Citizens Foundation, USA taken as a whole. The accompanying Supplemental Schedule of Cash Flows by Programs is presented for purpose of additional analysis is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Schaumburg, Illinois
March 1, 2011

Mirza Baig & Company

THE CITIZENS FOUNDATION, USA

SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES BY PROGRAMS
For the year ended December 31, 2010

	Stock-a-Library	Educate-a-Child	Campus Construction	Project Grants	CAMPUS Operation	Scholarship Program	Temporarily Restricted PROGRAM SERVICES	Unrestricted Management and General	Fundraising	Permanently Restricted Endowment Fund	TOTAL
BEGINNING BALANCE	\$ 3,497	\$ 35,487	\$ 244,933	\$ 104,062	\$ 142,570	\$ 16,070	\$ 546,619	\$ 497,848	\$ -	\$ 1,020,154	\$ 2,064,621
REVENUES:											
Contributions	2,650	37,679	1,295,865	1,076,932	638,354	74,507	3,126,007	300,166	-	-	3,426,173
Zakat Contributions	-	970	46,120	73,120	31,020	-	151,230	56,587	-	-	207,817
Special events/Fundraising (Net)	-	-	-	-	-	-	-	-	-	20,003	20,003
Interest and Dividend income	-	-	120,303	67,682	56,254	-	244,239	-	-	-	244,239
Gains/Loss from investments in-kind contributions	-	-	-	-	-	-	-	1,668	-	78,236	79,904
	-	-	-	-	-	-	-	1,380	-	-	1,380
TOTAL REVENUES	\$ 2,650	\$ 38,649	\$ 1,462,288	\$ 1,217,754	\$ 775,628	\$ 74,507	\$ 3,521,476	\$ 359,801	\$ -	\$ 98,239	\$ 3,979,516
TOTAL AVAILABLE FOR EXPENSES:	\$ 6,147	\$ 74,136	\$ 1,707,221	\$ 1,321,816	\$ 868,198	\$ 90,577	\$ 4,068,095	\$ 857,649	\$ -	\$ 1,118,393	\$ 6,044,137
EXPENSES:											
Salaries and related expenses:											
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,001	\$ -	\$ -	\$ 144,001
Payroll taxes and benefits	-	-	-	-	-	-	-	11,016	-	-	11,016
Total salaries and related expenses	-	-	-	-	-	-	-	155,017	-	-	155,017
Travel	-	-	-	-	-	-	-	2,999	-	-	2,999
Occupancy	-	-	-	-	-	-	-	5,400	-	-	5,400
Supplies and Expense	-	-	-	-	-	-	-	922	-	-	922
Professional fees	-	-	-	-	-	-	-	7,010	-	-	7,010
Program expense	958	17,139	1,147,359	510,588	527,253	72,823	2,276,120	-	-	-	2,276,120
Postage and Deliveries	-	-	-	-	-	-	-	2,243	-	-	2,243
Printing	-	-	-	-	-	-	-	600	-	-	600
Insurance	-	-	-	-	-	-	-	2,457	-	-	2,457
Miscellaneous	-	-	-	-	-	-	-	268	-	-	268
Marketing and Promotions	-	-	-	-	-	-	-	27,626	-	-	27,626
Bank service charge	-	-	-	-	-	-	-	2,101	-	-	2,101
Telephone and Internet	-	-	-	-	-	-	-	3,439	-	-	3,439
Merchant Service Charges	-	-	-	-	-	-	-	21,927	-	-	21,927
Special Events/ Fundraising	-	-	-	-	-	-	-	-	9,322	-	9,322
Depreciation	-	-	-	-	-	-	-	1,575	-	-	1,575
In-kind expenses	-	-	-	-	-	-	-	1,380	-	-	1,380
TOTAL EXPENSES	\$ 958	\$ 17,139	\$ 1,147,359	\$ 510,588	\$ 527,253	\$ 72,823	\$ 2,276,120	\$ 234,964	\$ 9,322	\$ -	\$ 2,520,406
Inter-Fund transfers	-	-	73,797	-	-	-	73,797	(83,119)	9,322	-	-
ENDING BALANCE	\$ 5,189	\$ 56,997	\$ 633,659	\$ 811,228	\$ 340,945	\$ 17,754	\$ 1,865,772	\$ 539,566	\$ -	\$ 1,118,393	\$ 3,523,731