

**THE CITIZENS FOUNDATION, USA**

**FINANCIAL STATEMENTS**

**December 31, 2008**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

THE CITIZENS FOUNDATION, USA

FINANCIAL STATEMENTS

December 31, 2008

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## INDEPENDENT AUDITOR'S REPORT

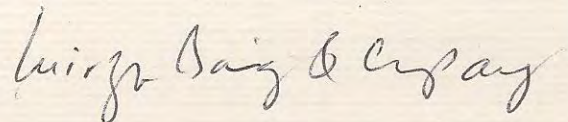
To The Board of Directors  
The Citizens Foundation, USA  
Schaumburg, Illinois

We have audited the accompanying statements of financial position of The Citizens Foundation, USA (TCF-USA) as of December 31, 2008, 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, 2008, 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  
April 24, 2009



THE CITIZENS FOUNDATION, USA  
STATEMENT OF FINANCIAL POSITION  
As of December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 446,960	453,428	105,605	\$ 1,005,993
Total current assets	446,960	453,428	105,605	1,005,993
Fixed assets - at costs (net of accumulated depreciation of \$1,027)	3,618	-	-	3,618
Other assets:				
Investment	-	-	1,015,210	1,015,210
Accumulated valuation on investment	-	-	(264,471)	(264,471)
Total assets	450,578	453,428	856,344	1,760,350
<b>LIABILITIES AND NET ASSETS:</b>				
Current liabilities:				
Accounts payable	5,692	-	-	5,692
Accrued salaries and taxes	9,540	-	-	9,540
Total current liabilities	15,232	-	-	15,232
Total Liabilities	15,232	-	-	15,232
Net assets:				
Permanently restricted	-	-	856,344	856,344
Temporarily restricted	-	453,428	-	453,428
Unrestricted	435,346	-	-	435,346
Total net assets	435,346	453,428	856,344	1,745,118
Total liabilities and net assets	\$ 450,578	453,428	856,344	1,760,350

see accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>				
Public support:				
Contributions	\$ 37,000	\$ 1,440,021	\$ 102,679	\$ 1,579,700
Zakat Contributions	101,227	408,660	-	509,887
Fundraising	-	123,859	-	123,859
Net assets released from restrictions	2,163,575	(2,163,575)	-	-
Total public support	<u>2,301,802</u>	<u>(191,035)</u>	<u>102,679</u>	<u>2,213,446</u>
Revenues:				
Interest and Investment income	-	47,032	15,209	62,241
Gain/Loss from investments	-	-	(261,544)	(261,544)
Total revenues	<u>-</u>	<u>47,032</u>	<u>(246,335)</u>	<u>(199,303)</u>
Total public support and revenues	<u>\$ 2,301,802</u>	<u>\$ (144,003)</u>	<u>\$ (143,656)</u>	<u>\$ 2,014,143</u>
<b>EXPENSES:</b>				
Program services:				
Stock-a -Library	7,838	-	-	7,838
Educate-a-Child (K-10)	5,100	-	-	5,100
Campus Construction	1,266,833	-	-	1,266,833
Earthquake Area Projects	318,675	-	-	318,675
Computer Lab Construction	7,559	-	-	7,559
Campus Operation	319,148	-	-	319,148
Scholarship Program	-	-	-	-
Total program services	<u>1,925,153</u>	<u>-</u>	<u>-</u>	<u>1,925,153</u>
Supporting services:				
Management and general	203,319	-	-	203,319
Fundraising	-	53,014	-	53,014
Total supporting services	<u>203,319</u>	<u>53,014.00</u>	<u>-</u>	<u>256,333</u>
Total expenses	<u>2,128,472</u>	<u>53,014</u>	<u>-</u>	<u>2,181,486</u>
Increase/(decrease) in net assets	\$ 173,330	\$ (197,017)	\$ (143,656)	\$ (167,343)
Unrestricted net assets, beginning of year	<u>262,016</u>	<u>650,445</u>	<u>1,000,000</u>	<u>1,912,461</u>
Unrestricted net assets, end of year	<u>\$ 435,346</u>	<u>\$ 453,428</u>	<u>\$ 856,344</u>	<u>\$ 1,745,118</u>

See accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA

STATEMENT OF CASH FLOWS  
For the years ended December 31, 2008

CASH FLOW FROM OPERATING ACTIVITIES:	
(Decrease) Increase in net assets	(\$167,343)
Adjustments to reconcile increase in net assets to net cash Provided by operating activities:	
Depreciation	506
Increase in operating assets:	
Decrease in accounts payable	(5,480)
Increase in accrued payroll and taxes	7,621
Unrealized loss from investments	261,544
Net cash provided by operating activities	<u>96,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property and equipment	(4,645)
Net Investment in marketable securities	<u>(1,011,306)</u>
Net cash used by investing activities	<u>(1,015,951)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(919,103)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,925,096</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$1,005,993</u></u>

See accompanying notes to financial statements

THE CITIZENS FOUNDATION, USA

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2008

	PROGRAM SERVICES							TOTAL PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL EXPENSES
	Stock-a-Library	Educate-a-Child (KG-10)	Campus Construction	Earthquake Area project	Computer Lab Construction	Campus Operation	Scholarship program		Management and General	Fundraising	
Salaries and related expenses:											
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,077	\$ -	\$ -	\$ 129,077
Payroll taxes and benefits	-	-	-	-	-	-	-	9,861	-	-	9,861
Total salaries and related expenses	-	-	-	-	-	-	-	138,938	-	-	138,938
Contractual Services											
Travel	-	-	-	-	-	-	-	2964	0	-	2964
Outreach	-	-	-	-	-	-	-	8,541	-	-	8,541
Occupancy	-	-	-	-	-	-	-	500	-	-	500
Supplies and Expense	-	-	-	-	-	-	-	3,825	-	-	3,825
Professional fees	-	-	-	-	-	-	-	855	-	-	855
Program expense	7,838	5,100	1,266,833	318,675	7,559	319,148	1,925,153	5,552	-	5,552	1,925,153
Printing	-	-	-	-	-	-	-	-	-	-	-
Postage and Deliveries	-	-	-	-	-	-	-	-	-	-	-
Merchant Service Charges	-	-	-	-	-	-	-	1,108	-	-	1,108
Insurance	-	-	-	-	-	-	-	5,718	-	-	5,718
Miscellaneous	-	-	-	-	-	-	-	2,643	-	-	2,643
Marketing and Promotions	-	-	-	-	-	-	-	786	-	-	786
Bank service charge	-	-	-	-	-	-	-	27,612	-	-	27,612
Telephone and Internet	-	-	-	-	-	-	-	110	-	-	110
Credit card fees	-	-	-	-	-	-	-	3,638	-	-	3,638
Special Events	-	-	-	-	-	-	-	23	-	-	23
Total expenses before depreciation	7,838	5,100	1,266,833	318,675	7,559	319,148	1,925,153	202,813	53,014	2,180,980	
Depreciation	-	-	-	-	-	-	-	506	-	-	506
TOTAL EXPENSES	\$ 7,838	\$ 5,100	\$ 1,266,833	\$ 318,675	\$ 7,559	\$ 319,148	\$ 1,925,153	\$ 203,319	\$ 53,014	\$ 2,181,486	

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.

THE CITIZENS FOUNDATION, USA  
NOTES TO FINANCIAL STATEMENTS

(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.

(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.

THE CITIZENS FOUNDATION, USA  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS

As of December 31, 2008 cash and cash equivalent consists of the following:

Checking Accounts	\$ 219,430
Money Market Account	786,562
	<u>-----</u>
	<u>=\$1,005,942</u>

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, 2008, uninsured amounts totaled \$536,562.

NOTE 3 – FIXED ASSETS

As of December 31, 2008 fixed assets consists of the following:

Furniture and equipment	\$ 4,645
Less: Accumulated Depreciation	(1,027)
	<u>-----</u>
	<u>=\$3,618</u>

NOTE 4 – 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.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2008 are available for the following purposes:

THE CITIZENS FOUNDATION, USA  
 NOTES TO FINANCIAL STATEMENTS

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS-CONTINUED

Stock-a-Library	\$	950
Educate-a-Child (K-10)		4,200
Campus Construction		232,080
Campus Operation		178,183
Scholarship Program		5,330
Earthquake Area Projects		32,685
		\$453,428
		\$453,428

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2008 are available for the following purposes:

Endowment fund reserve		\$856,344
		\$856,344

NOTE 6 – INVESTMENTS

As of June 30, 2008, investments consisted of the following:

Money market funds		\$113,404
Stocks		637,334
		\$750,738
		\$750,738

As of December 31, 2008, the market value of the TCF-USA's investments restricted for long-term purposes had decreased by approximately \$249,262. This was entirely the result of declines in the securities fair market value.

**SUPPLEMENTARY INFORMATION**

**MIRZA BAIG & COMPANY**  
*Certified Public Accountants*

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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  
April 24, 2009

*Mirza Baig & Company*

THE CITIZENS FOUNDATION, USA

SUPPLEMENTAL SCHEDULE OF CASH FLOWS BY PROGRAMS  
For the year ended December 31, 2008

	Stock-a- Library	Educate-a- Child (KG-10)	Campus Construction	Earthquake Area project	Computer Lab Construction	CAMPUS Operation	Scholarship program	PROGRAM SERVICES	Management and General	Fundraising	TOTAL EXPENSES
<b>BEGINNING BALANCE</b>	\$ 1,100	\$ 2,100	\$ 521,453	\$ 115,745	\$ 7,000	\$ 2,747	\$ 300	\$ 650,445	\$ 1,262,016	\$ -	\$ 1,912,461
<b>REVENUES:</b>											
Contributions	7,688	7,200	650,956	235,615	559	346,738	5,030	1,253,786	325,914	123,859	1,703,559
Zakat Contributions	-	-	279,064	-	-	129,596	-	408,660	101,227	-	509,887
Interest and Dividend income	-	-	-	-	-	-	-	-	62,241	-	62,241
Gains/Loss from investments	-	-	-	-	-	-	-	-	(261,544)	-	(261,544)
<b>TOTAL REVENUES</b>	\$ 7,688	\$ 7,200	\$ 940,020	\$ 235,615	\$ 559	\$ 476,334	\$ 5,030	\$ 1,662,446	\$ 277,858	\$ 123,859	\$ 2,014,143
<b>TOTAL AVAILABLE FOR EXPENSES:</b>	\$ 8,788	\$ 9,300	\$ 1,451,473	\$ 351,360	\$ 7,559	\$ 479,081	\$ 5,330	\$ 2,312,891	\$ 1,489,854	\$ 123,859	\$ 3,926,604
<b>EXPENSES:</b>											
Salaries and related expenses:											
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,077	\$ -	\$ 129,077
Payroll taxes and benefits	-	-	-	-	-	-	-	-	9,861	-	9,861
Total salaries and related expenses	-	-	-	-	-	-	-	-	138,938	-	138,938
Contractual Services	-	-	-	-	-	-	-	-	2,964	-	2,964
Travel	-	-	-	-	-	-	-	-	8,541	-	8,541
Outreach	-	-	-	-	-	-	-	-	500	-	500
Occupancy	-	-	-	-	-	-	-	-	3,825	-	3,825
Supplies and Expense	-	-	-	-	-	-	-	-	855	-	855
Professional fees	-	-	-	-	-	-	-	-	5,552	-	5,552
Program expense	7,838	5,100	1,266,833	318,675	7,559	319,148	-	1,925,153	-	-	1,925,153
Postage and Deliveries	-	-	-	-	-	-	-	-	1,108	-	1,108
Merchant Service Charges	-	-	-	-	-	-	-	-	5,718	-	5,718
Insurance	-	-	-	-	-	-	-	-	2,643	-	2,643
Miscellaneous	-	-	-	-	-	-	-	-	786	-	786
Marketing and Promotions	-	-	-	-	-	-	-	-	27,612	-	27,612
Bank service charge	-	-	-	-	-	-	-	-	110	-	110
Telephone and Internet	-	-	-	-	-	-	-	-	3,638	-	3,638
Credit card fees	-	-	-	-	-	-	-	-	23	-	23
Special Events	-	-	-	-	-	-	-	-	-	53,014	53,014
Depreciation	-	-	-	-	-	-	-	-	506	-	506
<b>TOTAL EXPENSES</b>	\$ 7,838	\$ 5,100	\$ 1,266,833	\$ 318,675	\$ 7,559	\$ 319,148	\$ -	\$ 1,925,153	\$ 203,319	\$ 53,014	\$ 2,181,486
Inter-Fund transfers	-	-	47,440	-	-	18,250	-	65,690	5,155	(70,845)	-
Unrestricted net assets	-	-	-	-	-	-	-	-	-	-	435,346
Temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	453,428
Permanently restricted net assets	-	-	-	-	-	-	-	-	(856,344)	-	856,344
<b>ENDING BALANCE</b>	\$ 950	\$ 4,200	\$ 232,080	\$ 32,685	\$ -	\$ 178,183	\$ 5,330	\$ 453,428	\$ 435,346	\$ -	\$ 1,745,118