

# The Citizens Foundation, USA

Financial Statements for the Year Ended December 31, 2018  
(with comparative totals for 2017)

<b>Independent Auditors' Report</b> .....	1-2
<b>Financial Statements</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flow .....	6
Notes to Financial Statements.....	7-17



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Citizens Foundation, USA  
Elk Grove Village, Illinois

We have audited the accompanying financial statements of The Citizens Foundation, USA (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, 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.

### **Auditors' 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 The Citizens Foundation, USA as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited The Citizens Foundation, USA 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bennoch & Tipton LLC*

Bennoch & Tipton LLC  
Certified Public Accountants  
Houston, Texas

October 21, 2019

# The Citizens Foundation, USA

## Statement of Financial Position

<i>As of December 31, (with comparative totals for 2017)</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 2,635,058	\$ 2,414,026
Pledges receivable, net of allowance; \$58,887 for 2018 and \$0 for 2017	486,495	115,936
Investments	502,110	546,584
Property and equipment, net	5,534	2,139
<b>Total Assets</b>	<b>\$ 3,629,197</b>	<b>\$ 3,078,685</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 14,716	\$ 30,654
Accrued liabilities	1,419	13,365
<b>Total Liabilities</b>	<b>16,135</b>	<b>44,019</b>
<b>Net Assets</b>		
Without Donor Restrictions	1,957,730	1,719,694
With Donor Restrictions	1,655,332	1,314,972
<b>Total Net Assets</b>	<b>3,613,062</b>	<b>3,034,666</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,629,197</b>	<b>\$ 3,078,685</b>

# The Citizens Foundation, USA

## Statement of Activities

<b>Year ended December 31,</b> <i>(with comparative totals for 2017)</i>	Without Donor Restrictions	With Donor Restrictions	<b>2018</b> <b>Total</b>	2017 Total
<b>Public Support and Revenues</b>				
Contributions	\$ 3,380,277	\$ 3,711,610	\$ 7,091,887	\$ 5,701,938
Grants	18,000	-	18,000	129,400
In-kind contributions	57,085	-	57,085	48,055
Special events (integral and ongoing)				
Special events revenue	3,593,917	-	3,593,917	3,123,372
Cost of direct benefit to donor	(644,376)	-	(644,376)	(571,168)
Net special events revenue	2,949,541	-	2,949,541	2,552,204
Interest and investment income	32,060	-	32,060	75,783
Unrealized gain/(loss) on investments	(69,670)	-	(69,670)	4,258
Net assets released from restrictions	3,371,250	(3,371,250)	-	-
<b>Total Public Support and Revenues</b>	<b>9,738,543</b>	<b>340,360</b>	<b>10,078,903</b>	<b>8,511,638</b>
<b>Expenses:</b>				
<b>Program Services:</b>				
Campus Construction	2,332,411	-	2,332,411	1,908,458
Campus Operation	5,129,553	-	5,129,553	5,290,730
Scholarship Program	135,234	-	135,234	180,099
Endowment Grants	959,852	-	959,852	1,199,598
<b>Total Program Services</b>	<b>8,557,050</b>	<b>-</b>	<b>8,557,050</b>	<b>8,578,885</b>
<b>Supporting Services:</b>				
Management and general	410,532	-	410,532	233,236
Fundraising	532,925	-	532,925	377,173
<b>Total Supporting Services</b>	<b>943,457</b>	<b>-</b>	<b>943,457</b>	<b>610,409</b>
<b>Total Expenses</b>	<b>9,500,507</b>	<b>-</b>	<b>9,500,507</b>	<b>9,189,294</b>
<b>Change in Net Assets</b>	<b>238,036</b>	<b>340,360</b>	<b>578,396</b>	<b>(677,656)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,719,694</b>	<b>1,314,972</b>	<b>3,034,666</b>	<b>3,712,322</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,957,730</b>	<b>\$ 1,655,332</b>	<b>\$ 3,613,062</b>	<b>\$ 3,034,666</b>

# The Citizens Foundation, USA

## Statement of Functional Expenses

Year ended December 31, (with comparative totals for 2017)	Program Services					Supporting Services			2018 Total	2017 Total
	Campus Construction	Campus Operation	Scholarship Program	Endowment Grants	Total Program Services	Management and General	Fundraising	Total Supporting Services		
<b>Salaries and Related Expenses</b>										
Salaries and wages	\$ 42,539	\$ -	\$ -	\$ -	\$ 42,539	\$ 128,806	\$ 191,205	\$ 320,011	\$ 362,550	\$ 262,892
Payroll taxes and benefits	3,740	-	-	-	3,740	10,165	15,948	26,113	29,853	22,414
<b>Total Salaries and Related Expenses</b>	<b>46,279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,279</b>	<b>138,971</b>	<b>207,153</b>	<b>346,124</b>	<b>392,403</b>	<b>285,306</b>
<b>Other Expenses</b>										
Bank service fee	-	-	-	-	-	9,163	-	9,163	9,163	7,286
Depreciation expense	-	-	-	-	-	1,152	-	1,152	1,152	1,267
Digital media	-	-	-	-	-	-	37,808	37,808	37,808	9,092
Donation processing fee	-	-	-	-	-	-	89,966	89,966	89,966	68,140
Information session expenses	-	-	-	-	-	-	-	-	-	950
Insurance	-	-	-	-	-	3,715	299	4,014	4,014	5,438
IT / Software expenses	-	-	-	-	-	4,408	14,447	18,855	18,855	18,542
License & fees	-	-	-	-	-	165	1,520	1,685	1,685	474
Marketing consultants	-	-	-	-	-	14,000	60,553	74,553	74,553	48,506
Marketing gala	-	-	-	-	-	-	30,889	30,889	30,889	31,951
Meals - meeting	-	-	-	-	-	8,536	509	9,045	9,045	4,043
Mileage reimbursement	1,442	-	-	-	1,442	-	-	-	1,442	2,654
Postage & deliveries	-	-	-	-	-	4,396	19,270	23,666	23,666	21,247
Printing	-	-	-	-	-	1,831	40,271	42,102	42,102	24,624
Professional fees	-	-	-	-	-	58,894	9,099	67,993	67,993	55,546
Promotional material	-	-	-	-	-	597	10,551	11,148	11,148	10,220
Rent & utilities	-	-	-	-	-	41,138	59	41,197	41,197	40,993
Scholarships	-	-	135,234	-	135,234	-	-	-	135,234	194,499
School construction	2,284,690	-	-	-	2,284,690	-	-	-	2,284,690	1,824,001
School endowments	-	-	-	959,852	959,852	-	-	-	959,852	1,199,598
School operation	-	5,105,391	-	-	5,105,391	-	-	-	5,105,391	5,268,267
Supplies	-	-	-	-	-	204	365	569	569	4,615
Travel	-	-	-	-	-	8,950	6,723	15,673	15,673	17,794
Uncollectible pledges	-	-	-	-	-	87,120	-	87,120	87,120	35,674
Vocational training grants	-	24,162	-	-	24,162	250	-	250	24,412	8,162
Venue	-	-	-	-	-	27,042	3,443	30,485	30,485	405
<b>Total Other Expenses</b>	<b>2,286,132</b>	<b>5,129,553</b>	<b>135,234</b>	<b>959,852</b>	<b>8,510,771</b>	<b>271,561</b>	<b>325,772</b>	<b>597,333</b>	<b>9,108,104</b>	<b>8,903,988</b>
<b>Total Expenses</b>	<b>\$2,332,411</b>	<b>\$5,129,553</b>	<b>\$135,234</b>	<b>\$ 959,852</b>	<b>\$ 8,557,050</b>	<b>\$ 410,532</b>	<b>\$532,925</b>	<b>\$943,457</b>	<b>\$ 9,500,507</b>	<b>\$ 9,189,294</b>

# The Citizens Foundation, USA

## Statement of Cash Flow

<i>Year Ended December 31, (with comparative totals for 2017)</i>	2018	2017
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 578,396	\$ (677,656)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,152	1,268
Bad debt	87,120	35,674
Grant from investment made in Pakistan	-	500,000
Net realized and unrealized (gain)/loss on investments	54,945	(69,660)
Changes in assets and liabilities:		
Pledges receivable	(457,679)	288,764
Prepaid expenses	-	1,638
Accounts payable	(15,938)	28,152
Accrued expenses	(11,946)	3,470
Total Adjustments	(342,346)	789,306
Net Change in Operating Activities	236,050	111,650
<b>Cash Flows From Investing Activities</b>		
Additions of property and equipment	(4,547)	-
Dividends reinvested	(10,471)	(10,378)
Sales of investments, net of purchases	-	75,621
Net Change in Investing Activities	(15,018)	65,243
<b>Net Change in Cash and Cash Equivalents</b>	<b>221,032</b>	<b>176,893</b>
Cash and Cash Equivalents, beginning of year	2,414,026	2,237,133
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,635,058</b>	<b>\$ 2,414,026</b>

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

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### **NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

#### Nature of Activities

The Citizens Foundation, USA (the Organization) was incorporated in May 2002 in the state of Illinois. The Organization, with a support network of volunteer chapters across the USA, supports the building of a civil society in Pakistan and promotes gender equality by providing quality scientific and balanced education for underprivileged children. The Citizens Foundation, USA directs programmatic initiatives to build, equip and operate schools.

The Organization's main programs are building schools, teacher training, mentorship, adult education, and higher education. The Organization is supported through contributions received from individuals, foundations, trusts and corporate institutions.

#### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

#### Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly-liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

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### Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed using primarily the straight-line method based on their estimated useful lives ranging from 3 to 5 years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

### Contributions

Gifts of cash and other assets received without donor stipulations are reported as support and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as support and net assets with donor restrictions. When a donor-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. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as support and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment, and other long-lived assets are reported as support and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as support and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

### Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

### Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation

### Income Taxes

The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

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The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

### Investments and Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- (i) Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- (ii) Level 2—Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- (iii) Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at December 31, 2018.

- (i) *Exchange traded funds*: Valued at the net asset value (NAV) of ETFs on the last trading day of the fiscal year, which is the basis for transactions at that date.

At December 31, 2018 and 2017, the Organizations investments consisted of exchange trade funds and cash alternatives totaling \$502,110 and 546,584, respectively. In addition, the cash and cash equivalents held by the Organization of \$2,635,058 and \$2,414,026 for the years ended December 31, 2018 and 2017, respectively, were reported at fair value using a Level 1 measure.

### Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

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### Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

### **NOTE 2 – PROGRAMS AND SUPPORTING SERVICES**

The costs of providing the various programs and other activities are shown in the accompanying statement of functional expenses. The following programs and supporting services are included in the accompanying financial statements:

**Schools** – The Organization’s school units are established in urban slums and rural areas in 110 towns and cities across Pakistan and Azad Jammu & Kashmir with a balanced gender ratio; close to 50% female students. TCF-USA grants have created thousands of jobs, many of which are female faculty positions. School buildings are equipped with airy and fully furnished classrooms, an administrative block, a play area, library, computer labs and science labs, an art room and all essential facilities to provide students with a stimulating learning environment.

**Teacher Training** – The Organization recognizes that employees are the most important resource. The Organization is committed to training and developing the entire workforce, particularly school staff. The Organization’s Training team works rigorously with school heads to empower them by developing their leadership and management skills. Concurrently, there are intensive sessions for the teachers ranging from content support across subjects, pedagogical approaches and assessment methods to early childhood education, character building and critical thinking.

**Mentorship** – Rahbar is a mentorship program aimed at the development of youth as responsible individuals and productive members of society. In line with this, the role of a Rahbar is to encourage the mentee to develop a positive thought process, a vision for his/her future, the plan to realize that vision and the capacity to deal with the failure that he/she will inadvertently confront on this journey. Mentors have included people employed in the corporate sector, housewives, lawyers, engineers, scientists, doctors, teachers & retired personnel – just about anyone who would like to make a meaningful difference in young lives.

**Adult Education** – Over the past eight years, the Organization has helped thousands of women become literate under its adult literacy program called Aagahi held at various schools of the Organization. The program is sponsored by National Foods Ltd., and is partnered with Literate Pakistan Foundation. Every year, thousands of women from local communities have learned basic Math and Urdu.

**Higher Education** – The Organization encourages children to pursue for higher education and believes that no child should ever be left behind in life due to his or her inability to avail opportunities that education offers. The Organization offers an Alumni Program and Scholarship Fund to provide guidance, advice and financial assistance to students every step of the way from admissions, to college entry tests to their choice of majors.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

### NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Total financial assets	\$3,121,553
Less donor imposed restrictions	(1,655,332)
Financial assets available to meet cash needs for general expenditures within one year	\$1,466,221

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing in the endowment.

The Organization has sufficient liquid financial assets to fund general expenditure over the next 12 month period. As part of its liquidity management, cash in excess of daily requirements are invested in certificate of deposits in low risk short term investments including certificate of deposits up to the amount insured by FDIC, securities issued by the US Government, Agencies, and investment-grade municipal bonds.

### NOTE 4 – CONCENTRATION OF CREDIT RISKS

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. Additionally, cash and securities held by a customer at a Security Investor Protection Corporation (SIPC) member brokerage firm are protected up to \$500,000 which includes a limit of \$250,000 for cash.

The Organization maintains cash balances at a national bank. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018 and 2017, the Organization had approximately \$2,180,000 and \$2,112,000, respectively, of cash balances that were not insured by the FDIC.

The Organization's investments amounted to \$502,109 at 2018, and consist of \$495,349 in exchange traded funds, bonds, equity funds and mutual funds and \$6,760 of cash held for long-term investment, which are held at a brokerage firm. The investments and cash held for long-term investment are fully insured by the SIPC and the FDIC, respectively, at December 31, 2018.

The Organization's investments amounted to \$546,584 at 2017, and consist of \$537,149 in exchange traded funds, bonds, equity funds and mutual funds and \$9,435 of cash held for long-term investment, which are held at a brokerage firm. At December 31, 2017, the Organization had approximately \$37,000 that was not covered by SPIC insurance. The cash held for long-term investment are fully insured by the FDIC, respectively, at December 31, 2017.

These investments are exposed to several risks, such as interest rates, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

### NOTE 5 – PROMISES TO GIVE RECEIVABLE

The Organization held several fund-raising events for funds to support the various programs of the Organization. The promises to give as of December 31, 2018 and 2017 amounted to \$583,969 and \$115,936, respectively, are unconditional and due within the next fiscal year. The allowance for doubtful accounts amounts to \$58,887 and \$0 for the years ended December 31, 2018 and 2017, respectively. The net promises to give expected by management to be received in the next fiscal is \$554,771.

### NOTE 6 – DONATED FACILITIES

On December 22, 2014 and August 1, 2013, the Organization entered into lease agreements for certain office space in Houston, Texas and Elk Grove, Illinois, respectively. The initial term of the lease for the Houston office space began January 1, 2015 and is on a month-to-month basis with an aggregate annual base rent of \$120. An analysis of similar office spaced performed by management determined that the fair value of the lease (which also includes services and utilities) was \$24,000 annually on a gross basis for each of the years ended December 31, 2018 and 2017, respectively.

The initial term of the lease for the Elk Grove office space is for twelve (12) months which was renewed until July 2019 with monthly rental charges of \$1,000 that is deemed to be a charitable gift by the lessor. Annual rental charges gifted by the lessor was \$12,000 for each of the years end December 31, 2018 and 2017, respectively. Upon expiration of the lease, the Elk Grove office was closed and all operations were moved to the Houston office.

Accordingly, the Organization has recorded in-kind rent revenue and expense on the statement of activities in the amount of \$36,000 for each of the years ended December 31, 2018 and 2017, respectively.

### NOTE 7 – PROPERTY AND EQUIPMENT

As of December 31, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Furniture and fixtures	\$2,494	\$2,494
Machinery and equipment	19,473	17,926
Intangible assets	3,000	0
Subtotal property and equipment	24,967	20,420
Less: accumulated depreciation	(19,433)	(18,281)
Total property and equipment, net	\$5,534	\$2,139

Depreciation expense charged to operations for the year ended December 31, 2018 and 2017 was \$1,152 and \$1,268, respectively.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

### NOTE 8 – INVESTMENTS

Cost and fair value of investments at December 31, 2018 were as follows:

	2018		
	Cost	Unrealized Appreciation	Fair Value
Cash held for long-term investments	\$6,760	\$0	\$6,760
Exchange Traded Funds	360,346	84,069	444,416
Mutual Funds	53,189	(2,255)	50,933
<b>Totals</b>	<b>\$420,295</b>	<b>\$81,814</b>	<b>\$502,109</b>

Cost and fair value of investments at December 31, 2017 were as follows:

	2017		
	Cost	Unrealized Appreciation	Fair Value
Cash held for long-term investments	\$9,435	\$0	\$9,435
Exchange Traded Funds	358,560	149,032	507,592
Mutual Funds	27,131	2,426	29,557
<b>Totals</b>	<b>\$395,126</b>	<b>\$151,458</b>	<b>\$546,584</b>

The fair value of all investments have been measured on a recurring basis using Level 1 inputs. There were no changes in valuation methodologies and related inputs used at December 31, 2018 and 2017.

The following schedule summarizes the investment return and its classifications recorded in the Statement of Activities for the year ended December 31, 2018:

	2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend	\$10,490	\$0	\$10,490
Unrealized gain/(loss)	(69,670)	0	(69,670)
Realized gain/(loss)	21,570	0	21,570
<b>Totals</b>	<b>\$37,610</b>	<b>\$0</b>	<b>\$37,610</b>

The following schedule summarizes the investment return and its classifications recorded in the Statement of Activities for the year ended December 31, 2017:

	2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend	\$10,382	\$0	\$10,382
Unrealized gain/(loss)	4,258	0	4,258
Realized gain/(loss)	65,401	0	65,401
<b>Totals</b>	<b>\$80,401</b>	<b>\$0</b>	<b>\$80,401</b>

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

### NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2018 and 2017 are comprised of the following:

	2018	2017
Net assets without donor-restriction or Board designation	\$1,530,620	\$1,248,110
Board designated endowment funds	427,110	471,584
Total net assets without donor restrictions	\$1,957,730	\$1,719,694

### NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 are restricted for the following purposes or periods:

	2018	2017
School construction and operation	\$1,655,332	\$1,314,972
Total net assets with donor restrictions	\$1,655,332	\$1,314,972

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following amounts were released from restrictions for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions		
School construction and operation	\$3,371,250	\$3,659,661
Total Net Assets Released from Restrictions	\$3,371,250	\$3,659,661

### NOTE 11 – RELATED PARTY TRANSACTIONS – TCF PAKISTAN

The Citizens Foundation, USA (TCF-USA) is a U.S.-based tax-exempt 501(c)(3) charity (Federal Tax ID #41-2046295) that supports the education of underprivileged children in Pakistan. Among other activities, TCF-USA supports specific programs, initiatives and projects of The Citizens Foundation (TCF) in Pakistan, one of the leading Pakistani organizations in the field of education. TCF was founded in 1995 by a group of concerned Pakistani citizens who wanted to bring about social change through education. TCF-USA's Board of Directors exercises full discretion and control over the use of all donations and in the making of grants to support specific projects in Pakistan.

For the year ended December 31, 2018, TCF, USA granted TCF Pakistan \$8,470,809, or ninety percent (90%) of TCF-USA's total expenses, for programs related to school construction, school operations, school endowments, and scholarships.

For the year ended December 31, 2017, TCF, USA granted TCF Pakistan \$8,471,965, or ninety-two percent (92%) of TCF-USA's total expenses, for programs related to school construction, school operations, school endowments, and scholarships.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

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### **NOTE 12 – SPECIAL EVENTS**

In 2018, the Organization conducted numerous fund-raising events in several cities throughout the year, which provides \$2,949,541 or approximately twenty-nine percent (29%) of its operating revenues. The gross proceeds raised of \$3,593,917 less the direct costs of benefits to donors of \$644,376 incurred may fluctuate from year-to-year based on economic and other factors.

In 2017, the Organization conducted numerous fund-raising events in several cities throughout the year, which provides \$2,552,204 or approximately thirty percent (30%) of its operating revenues. The gross proceeds raised of \$3,123,372 less the direct costs of benefits to donors of \$571,168 incurred may fluctuate from year-to-year based on economic and other factors.

### **NOTE 13 – ENDOWMENT FUND**

The Organization's endowment consists of investment funds established for supporting ongoing operations and maintenance of schools built in the area impacted by the 2005 earthquake in Pakistan. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment and Spending Policy. The Organization has adopted investment policies, approved by the Board of Directors and Investment Committee, for endowment assets. The organization will invest only in low-risk, conservative investment vehicles in order to maintain the purchasing power of current assets and future contributions in relation to cost increases and inflation and maximize return within reasonable and prudent levels of risk. Investment assets are invested in a well-diversified asset mix, which includes equity and debt securities that are managed by the Organization's Investment Committee to prevent exposing the fund to unacceptable levels of risk.

With regards to returns on endowments, the Organization has adopted a spending policy which will apply to all endowed funds unless a particular donor has otherwise stipulated spending restrictions. The organization will not spend returns from the endowment if it falls below the original endowment amount. Management, with approval from the Investment Committee, has discretion over how and whether or not surplus returns are used.

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

Endowment Net Asset Composition by Type of Fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$427,110	\$ -	\$427,110
Donor restricted endowment funds	-	75,000	75,000
Total funds	\$427,110	\$75,000	\$502,110

Endowment Net Asset Composition by Type of Fund as of December 31, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$471,584	\$ -	\$471,584
Donor restricted endowment funds	-	75,000	75,000
Total funds	\$471,584	\$75,000	\$546,584

Changes in Endowment Net Assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment and donor-restricted net assets, beginning of year	\$471,584	\$75,000	\$546,584
Contributions	-	-	-
Investment return:			
Investment income	6,755	-	6,755
Net depreciation	(51,229)	-	(51,229)
Total Investment return	(44,474)	-	(44,474)
Amounts appropriated for expenditure	-	-	-
Board designated endowment and donor-restricted net assets, end of year	\$427,110	\$75,000	\$502,110

# THE CITIZENS FOUNDATION, USA

## Notes to Financial Statements

Changes in Endowment Net Assets for the year ended December 31, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment and donor-restricted net assets, beginning of year	\$967,167	\$75,000	\$1,042,167
Contributions	-	-	-
Investment return:			
Investment income	10,382	-	10,382
Net appreciation	69,660	-	69,660
Total Investment return	80,042	-	80,042
Amounts appropriated for expenditure	(575,625)	-	(575,625)
Board designated endowment and donor-restricted net assets, end of year	\$471,584	\$75,000	\$546,584

### NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2019, the date the financial statements were available to be issued. The Organization has determined that no change to the financial statements for the year ended December 31, 2018 is deemed necessary as a result of this evaluation.