

The Citizens Foundation, USA

Independent Auditors' Report and
Financial Statements for the Year Ended December 31, 2021
(with comparative totals for 2020)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Citizens Foundation, USA
Houston, Texas

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 The Citizens Foundation, USA as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit 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 The Citizens Foundation, USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 The Citizens Foundation, USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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, including omissions, 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.

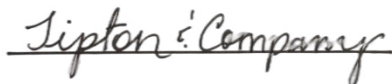
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 The Citizens Foundation, USA'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 The Citizens Foundation, USA'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

Report on Summarized Comparative Information

We have previously audited The Citizens Foundation, USA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Tipton & Company
Certified Public Accountants
Houston, Texas

September 28, 2022

The Citizens Foundation, USA

Statement of Financial Position

<i>As of December 31, (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 7,059,046	\$ 5,931,799
Pledges receivable, net of allowance	23,238	53,087
Related party receivables	24,168	-
Investments	652,998	671,366
Property and equipment, net	6,064	6,459
Total Assets	\$ 7,765,514	\$ 6,662,711
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 37,281	\$ 21,428
Accrued expenses	117,843	29,118
Payroll Protection Program (PPP) refundable advance and Economic Injury Disaster Loan (EIDL)	-	127,000
Total Liabilities	155,124	177,546
Net Assets		
Without donor restrictions	1,187,160	3,133,358
With donor restrictions	6,423,230	3,351,807
Total Net Assets	7,610,390	6,485,165
Total Liabilities and Net Assets	\$ 7,765,514	\$ 6,662,711

The Citizens Foundation, USA

Statement of Activities

Year Ended December 31, <i>(with comparative totals for 2020)</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Public Support and Revenues				
Contributions	\$ 7,481,990	\$ 9,581,567	\$ 17,063,557	\$ 12,481,370
Grants	98,349	-	98,349	352,682
In-kind contributions	36,474	-	36,474	40,315
Special events revenue	2,776,961	-	2,776,961	2,446,415
Cost of direct benefit to donor	(234,215)	-	(234,215)	(148,037)
Interest and investment income	90,475	-	90,475	22,963
Unrealized gain/(loss) on investments	455	-	455	42,792
Federal COVID relief	121,397	-	121,397	-
Net assets released from restrictions	6,510,144	(6,510,144)	-	-
Total Public Support and Revenues	16,882,030	3,071,423	19,953,453	15,238,500
Expenses				
Program Services:				
Campus Construction	7,676,363	-	7,676,363	2,023,865
Campus Operation	7,966,263	-	7,966,263	8,408,379
Scholarship Program	383,081	-	383,081	360,257
Endowment Grants	1,399,325	-	1,399,325	828,461
Total Program Services	17,425,032	-	17,425,032	11,620,962
Supporting Services:				
Management and general	188,924	-	188,924	206,183
Fundraising	1,214,272	-	1,214,272	932,655
Total Supporting Services	1,403,196	-	1,403,196	1,138,838
Total Expenses	18,828,228	-	18,828,228	12,759,800
Change in Net Assets	(1,946,198)	3,071,423	1,125,225	2,478,700
Net Assets, Beginning of Year	3,133,358	3,351,807	6,485,165	4,006,465
Net Assets, End of Year	\$ 1,187,160	\$ 6,423,230	\$ 7,610,390	\$ 6,485,165

The accompanying notes are an integral part of these financial statements.

The Citizens Foundation, USA
Statement of Functional Expenses

Year Ended December 31, (with comparative totals for 2020)	Program Services					Supporting Services			2021 Total	2020 Total
	Campus Construction	Campus Operation	Scholarship Program	Endowment Grants	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and Related Expenses										
Salaries and wages	\$ 52,584	\$ -	\$ -	\$ -	\$ 52,584	\$ 59,561	\$ 482,117	\$ 541,678	\$ 594,262	\$ 540,815
Payroll taxes and benefits	-	-	-	-	-	6,610	39,084	45,694	45,694	45,756
Total Salaries and Related Expenses	52,584	-	-	-	52,584	66,171	521,201	587,372	639,956	586,571
Other Expenses										
Bank service fee	-	-	-	-	-	8,375	319	8,694	8,694	10,185
Conference / seminar	-	-	-	-	-	-	-	-	-	2,454
COVID-19 support	-	1,332	-	-	1,332	-	-	-	1,332	2,024,505
Depreciation expense	-	-	-	-	-	2,774	-	2,774	2,774	2,960
Digital media	-	-	-	-	-	972	163,785	164,757	164,757	113,404
Donation processing fee	-	-	-	-	-	-	111,861	111,861	111,861	98,987
Insurance	-	-	-	-	-	3,074	267	3,341	3,341	5,919
IT and software expenses	-	-	-	-	-	5,340	29,395	34,735	34,735	29,711
License and fees	-	-	-	-	-	12,082	541	12,623	12,623	4,405
Marketing consultants	-	-	-	-	-	-	113,352	113,352	113,352	60,658
Marketing gala	-	-	-	-	-	101	18,068	18,169	18,169	20,832
Meals and entertainment	-	-	-	-	-	596	47,609	48,205	48,205	78,726
Mileage reimbursement	-	-	-	-	-	-	1,385	1,385	1,385	1,385
Postage and deliveries	-	-	-	-	-	133	32,124	32,257	32,257	27,919
Printing	-	-	-	-	-	-	30,914	30,914	30,914	25,866
Professional fees	-	-	-	-	-	32,987	126,436	159,423	159,423	80,513
Promotional material	-	-	-	-	-	-	-	-	-	2,016
Rent and utilities	-	-	-	-	-	39,059	725	39,784	39,784	43,601
Scholarships	-	-	299,651	-	299,651	-	-	-	299,651	360,257
School construction	7,623,779	-	-	-	7,623,779	-	-	-	7,623,779	1,978,050
School endowments	-	-	-	1,399,325	1,399,325	-	-	-	1,399,325	828,461
School operation	-	7,964,931	-	-	7,964,931	-	-	-	7,964,931	6,346,974
Supplies	-	-	-	-	-	568	60,028	60,596	60,596	14,096
Travel	-	-	-	-	-	394	3,871	4,265	4,265	7,734
Uncollectible pledges	-	-	-	-	-	16,298	-	16,298	16,298	29,880
Vocational training grants	-	-	83,430	-	83,430	-	-	-	83,430	36,900
Venue	-	-	-	-	-	-	186,606	186,606	186,606	84,868
Total Other Expenses	7,623,779	7,966,263	383,081	1,399,325	17,372,448	122,753	927,286	1,050,039	18,422,487	12,321,266
Subtotal	7,676,363	7,966,263	383,081	1,399,325	17,425,032	188,924	1,448,487	1,637,411	19,062,443	12,907,837
Less: Direct benefit to donor	-	-	-	-	-	-	(234,215)	(234,215)	(234,215)	(148,037)
Total Expenses	\$ 7,676,363	\$ 7,966,263	\$ 383,081	\$ 1,399,325	\$ 17,425,032	\$ 188,924	\$ 1,214,272	\$ 1,403,196	\$ 18,828,228	\$ 12,759,800

The accompanying notes are an integral part of these financial statements.

The Citizens Foundation, USA

Statement of Cash Flows

<i>Year Ended December 31, (with comparative totals for 2020)</i>	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 1,125,225	\$ 2,478,700
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Forgiveness of PPP refundable advance and EIDL	(121,397)	-
Depreciation	2,774	2,960
Net realized and unrealized (gain)/loss on investments	(455)	(42,792)
Changes in assets and liabilities:		
Pledges receivable	29,849	124,895
Related party receivables	(24,168)	-
Accounts payable	15,853	(14,374)
Accrued expenses	88,725	29,118
Total Adjustments	(8,819)	99,807
Net Change from Operating Activities	1,116,406	2,578,507
Cash Flows From Investing Activities		
Additions of property and equipment	(2,379)	(3,025)
Net purchases/sales of investments	25,801	(18,666)
Dividends and interest reinvested, net of fees	(6,978)	(6,454)
Net Change from Investing Activities	16,444	(28,145)
Cash Flows From Financing Activities		
Repayments on PPP refundable advance	(5,603)	-
Proceeds from PPP refundable advance and EIDL	-	127,000
Net Change from Financing Activities	(5,603)	127,000
Net Change in Cash and Cash Equivalents	1,127,247	2,677,362
Cash and Cash Equivalents, Beginning of Year	5,931,799	3,254,437
Cash and Cash Equivalents, End of Year	\$ 7,059,046	\$ 5,931,799

The Citizens Foundation, USA

Notes to Financial Statements

NOTE 1 – NATURE OF ACTIVITIES 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.

The Organization conducts the following programs:

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. The Organization 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.

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.

The Citizens Foundation, USA

Notes to Financial Statements

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- *Net assets with donor restrictions* are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. Donor-restricted endowment earnings are released when those earnings are appropriated with spending policies and are used for the specified purpose.

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.

Investments

The Organization records investments at fair value. Investment income consists of interest and dividends, realized and unrealized gains and losses, net of investment expenses.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. The Organization uses the allowance method to account for uncollectible grants and promises to give receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Machinery and equipment	3-5 years
Intangible assets	5 years

Additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

The Citizens Foundation, USA

Notes to Financial Statements

Donated Assets

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

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

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.

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 Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, 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. Topic 740 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.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

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, 2020, from which the summarized information was derived.

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

The Citizens Foundation, USA

Notes to Financial Statements

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 – CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and investments. 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. 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, 2021 and 2020, the Organization had approximately \$4,557,000 and \$3,432,000, respectively, of cash balances that were not insured by the FDIC.

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. 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 Organization's investments amounted to \$652,998 at December 31, 2021, and consist of \$530,143 in exchange traded funds, common stock, and mutual funds and \$122,855 of cash held for long-term investment, which are held at a brokerage firm. Additionally, treasury bills amounting to \$2,251,824 were held at the same brokerage firm and are fully backed by the United States government. The Organization had approximately \$153,000 of investment and cash equivalents that were not insured by the SIPC at December 31, 2021.

The Organization's investments amounted to \$671,366 at December 31, 2020, and consist of \$637,990 in exchange traded funds, common stock, mutual funds, and options and \$33,376 of cash held for long-term investment, which are held at a brokerage firm. Additionally, treasury bills amounting to \$2,250,804 were held at the same brokerage firm and are fully backed by the United States government. The Organization had approximately \$171,000 of investment and cash equivalents that were not insured by the SIPC at December 31, 2020.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year as of December 31, 2021, comprise the following:

Financial Assets:	
Cash and cash equivalents	\$7,059,046
Pledges receivable, net	23,238
Related party receivables	24,168
Investments	652,998
Total financial assets	7,759,450
Less financial assets not available for general expenditure:	
Board designated endowment	(618,160)
Donor restricted endowment	(75,000)
Financial assets available to meet cash needs for general expenditures within one year	\$7,066,290

The Citizens Foundation, USA

Notes to Financial Statements

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. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

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. Additionally, the Organization's Board can approve access to the board designated endowment if necessary.

NOTE 4 – FEDERAL COVID RELIEF

In May 2020, the Organization received financial relief of \$117,000 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and \$10,000 under the SBA's Economic Injury Disaster Loan (EIDL) program.

With respect to the \$117,000 disbursed under the PPP loan, during 2021, the Organization was granted forgiveness of \$111,397 and repaid the balance of \$5,603; while the \$10,000 EIDL loan does not need to be repaid. Therefore, \$121,397 of the combined PPP and EIDL proceeds have been recognized as revenue during the year ended December 31, 2021.

NOTE 5 – PLEDGES RECEIVABLE

The Organization held several fundraising events for funds to support the various programs of the Organization. The promises to give as of December 31, 2021 and 2020 amounting to \$36,510 and \$66,359, respectively, are unconditional and due within the next fiscal year. The allowance for doubtful accounts amounts to \$13,272 for both of the years ended December 31, 2021 and 2020. The net promises to give expected by management to be received in the next fiscal year are \$23,238.

NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Furniture and fixtures	\$2,494	\$2,494
Machinery and equipment	28,176	25,797
Intangible assets	3,000	3,000
Subtotal property and equipment	33,670	31,291
Less: accumulated depreciation	(27,606)	(24,832)
Total property and equipment, net	\$6,064	\$6,459

Depreciation expense charged to operations for the years ended December 31, 2021 and 2020 was \$2,774 and \$2,960, respectively.

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

The Citizens Foundation, USA

Notes to Financial Statements

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.

Fair value of investments at December 31, 2021 were as follows:

	Level 1	Level 2	Level 3	Total
Cash held for long-term investments	\$122,855	-	-	\$122,855
Exchange-traded funds	469,705	-	-	469,705
Mutual funds	60,438	-	-	60,438
Totals	\$652,998	-	-	\$652,998

Fair value of investments at December 31, 2020 were as follows:

	Level 1	Level 2	Level 3	Total
Cash held for long-term investments	\$33,376	-	-	\$33,376
Exchange-traded funds	547,106	-	-	547,106
Mutual funds	59,432	-	-	59,432
Common stock	31,452	-	-	31,452
Totals	\$671,366	-	-	\$671,366

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds* and *common stocks* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual Funds* are valued at the reported net asset value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

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Notes to Financial Statements

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, 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 statement of financial position and statement of activities.

NOTE 8 – DONATED FACILITIES

On May 1, 2020, the Organization entered into a month-to-month lease agreement for certain office space in Houston, Texas. An analysis of similar office space was performed by management to determine the fair value of the Houston, Texas leased space. Accordingly, the Organization has recorded in-kind rent revenue and expense on the statement of activities in the amount of approximately \$36,000 and 40,000 for the years ended December 31, 2021 and 2020.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2021 and 2020 are comprised of the following:

	2021	2020
Net assets without donor-restriction or board designation	\$569,000	\$2,594,484
Board designated endowment funds	618,160	538,874
Total net assets without donor restrictions	\$1,187,160	\$3,133,358

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose:		
School construction, operation and scholarship	\$6,348,230	\$3,276,807
Endowment subject to spending policy and appropriation:		
School construction and operation	75,000	75,000
Total net assets with donor restrictions	\$6,423,230	\$3,351,807

NOTE 11 – NET ASSETS RELEASED FROM RESTRICTIONS

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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions:		
School construction, operation and scholarship	\$6,510,144	\$1,884,242
Total net assets released from restrictions	\$6,510,144	\$1,884,242

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NOTE 12 – RELATED PARTY TRANSACTIONS – THE CITIZENS FOUNDATION IN PAKISTAN

The Organization 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, the Organization supports specific programs, initiatives and projects of The Citizens Foundation in Pakistan (the Foundation), one of the leading Pakistani organizations in the field of education. The Foundation was founded in 1995 by a group of concerned Pakistani citizens who wanted to bring about social change through education. The Organization'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, 2021, the Organization granted the Foundation \$17,372,446, or ninety-two percent (92%) of the Organization's total expenses, for programs related to school construction, school operations, school endowments, and scholarships.

For the year ended December 31, 2020, the Organization granted the Foundation \$11,542,146, or eighty-nine percent (89%) of the Organization's total expenses, for programs related to school construction, school operations, school endowments, and scholarships.

NOTE 13 – CONCENTRATIONS

In 2021, the Organization conducted numerous fund-raising events in several cities throughout the year, which provided \$2,542,746 or approximately thirteen percent (13%) of its operating revenues. The gross proceeds raised of \$2,776,961 less the direct costs of benefits to donors of \$234,215 incurred may fluctuate from year-to-year based on economic and other factors. Additionally, for the year ended December 31, 2021, approximately twenty percent (20%) of the Organization's operating revenues came from a single funding source.

In 2020, the Organization conducted numerous fund-raising events in several cities throughout the year, which provided \$2,298,378 or approximately fifteen percent (15%) of its operating revenues. The gross proceeds raised of \$2,446,415 less the direct costs of benefits to donors of \$148,037 incurred may fluctuate from year-to-year based on economic and other factors. Additionally, for the year ended December 31, 2020, approximately nineteen percent (19%) of the Organization's operating revenues came from a single funding source.

NOTE 14 – 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

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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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$618,160	\$ -	\$618,160
Donor restricted endowment funds to be maintained in perpetuity	-	75,000	75,000
Total endowments funds	\$618,160	\$75,000	\$693,160

Endowment Net Asset Composition by Type of Fund as of December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$538,874	\$ -	\$538,874
Donor restricted endowment funds to be maintained in perpetuity	-	75,000	75,000
Total endowments funds	\$538,874	\$75,000	\$613,874

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Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$496,497	\$75,000	\$571,497
Contributions	-	-	-
Net investment return	42,377	-	42,377
Amounts appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2020	\$538,874	\$75,000	\$613,874
Contributions	-	-	-
Net investment return	79,286	-	79,286
Amounts appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2021	\$618,160	\$75,000	\$693,160

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new lease accounting requirements in ASU 2016-02, *Leases*. In June 2020, the FASB issued an amendment to the pronouncement extending the effective date from reporting periods beginning after December 15, 2020 to reporting periods beginning after December 15, 2021 due to the adverse effects of the COVID-19 pandemic. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 28, 2022, the date the financial statements were available to be issued. Management has not identified any subsequent events that would require an adjustment to the financial statements or disclosures.