

The Citizens Foundation, USA

Financial Statements and Independent Auditors' Report
for the Year Ended December 31, 2022
(with comparative totals for 2021)



Tipton & Company

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tipton & Company LLC

Tipton & Company LLC
Certified Public Accountants
Houston, Texas

June 13, 2023

The Citizens Foundation, USA

Statement of Financial Position

<i>As of December 31, (with comparative totals for 2021)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 6,081,861	\$ 7,059,046
Pledges receivable, net of allowance	154,440	23,238
Related party accounts receivable	51,365	24,168
Investments	459,177	652,998
Property and equipment, net	4,994	6,064
Total Assets	\$ 6,751,837	\$ 7,765,514
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 78,607	\$ 37,281
Accrued expenses	16,706	117,843
Total Liabilities	95,313	155,124
Net Assets		
Without donor restrictions	4,298,583	1,187,160
With donor restrictions	2,357,941	6,423,230
Total Net Assets	6,656,524	7,610,390
Total Liabilities and Net Assets	\$ 6,751,837	\$ 7,765,514

The Citizens Foundation, USA

Statement of Activities

Year Ended December 31, <i>(with comparative totals for 2021)</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Public Support and Revenues				
Contributions	\$ 8,753,052	\$ 6,592,504	\$ 15,345,556	\$ 17,063,557
Grants	408,992	-	408,992	98,349
Contributed nonfinancial assets	30,375	-	30,375	36,474
Special events revenue	5,562,828	-	5,562,828	2,776,961
Cost of direct benefit to donor	(675,512)	-	(675,512)	(234,215)
Interest and investment income	50,185	-	50,185	90,475
Unrealized gain/(loss) on investments	(90,096)	-	(90,096)	455
Federal COVID relief	(1,492)	-	(1,492)	121,397
Net assets released from restrictions	10,657,793	(10,657,793)	-	-
Total Public Support and Revenues	24,696,125	(4,065,289)	20,630,836	19,953,453
Expenses				
Program Services:				
Campus Construction	4,038,026	-	4,038,026	7,676,363
Campus Operation	14,448,795	-	14,448,795	7,966,263
Scholarship Program	375,212	-	375,212	383,081
Endowment Grants	751,419	-	751,419	1,399,325
Total Program Services	19,613,452	-	19,613,452	17,425,032
Supporting Services:				
Management and general	305,379	-	305,379	188,924
Fundraising	1,665,871	-	1,665,871	1,214,272
Total Supporting Services	1,971,250	-	1,971,250	1,403,196
Total Expenses	21,584,702	-	21,584,702	18,828,228
Change in Net Assets	3,111,423	(4,065,289)	(953,866)	1,125,225
Net Assets, Beginning of Year	1,187,160	6,423,230	7,610,390	6,485,165
Net Assets, End of Year	\$ 4,298,583	\$ 2,357,941	\$ 6,656,524	\$ 7,610,390

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 2021)	Program Services					Supporting Services			2022 Total	2021 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	\$ 61,938	\$ -	\$ -	\$ -	\$ 61,938	\$ 85,442	\$ 727,263	\$ 812,705	\$ 874,643	\$ 594,262
Payroll taxes and benefits	4,693	-	-	-	4,693	8,576	48,301	56,877	61,570	45,694
Total Salaries and Related Expenses	66,631	-	-	-	66,631	94,018	775,564	869,582	936,213	639,956
Other Expenses										
Conference / seminar	-	-	-	-	-	29,397	784	30,181	30,181	-
Disaster relief	-	2,712,687	-	-	2,712,687	-	-	-	2,712,687	1,332
Depreciation expense	-	-	-	-	-	3,880	-	3,880	3,880	2,774
Digital media	-	-	-	-	-	-	117,776	117,776	117,776	164,757
Donation processing and bank fee	-	-	-	-	-	-	160,500	160,500	160,500	120,555
Information Session expenses	-	-	-	-	-	-	3,275	3,275	3,275	-
Insurance	-	-	-	-	-	2,648	923	3,571	3,571	3,341
IT and software expenses	-	-	-	-	-	7,044	40,864	47,908	47,908	34,735
License and fees	-	-	-	-	-	350	6	356	356	12,623
Marketing consultants	-	-	-	-	-	-	116,917	116,917	116,917	113,352
Marketing gala	-	-	-	-	-	-	50,540	50,540	50,540	18,169
Meals and entertainment	-	-	-	-	-	24,487	278,432	302,919	302,919	48,205
Mileage reimbursement	-	-	-	-	-	-	1,822	1,822	1,822	1,385
Miscellaneous	-	-	-	-	-	-	889	889	889	-
Postage and deliveries	-	-	-	-	-	189	49,167	49,356	49,356	32,257
Printing	-	-	-	-	-	-	61,307	61,307	61,307	30,914
Professional fees	-	-	-	-	-	52,550	185,238	237,788	237,788	159,423
Promotional material	-	-	-	-	-	-	8,546	8,546	8,546	-
Rent and utilities	-	-	-	-	-	32,602	533	33,135	33,135	39,784
Scholarships	-	-	375,212	-	375,212	-	-	-	375,212	299,651
School construction	3,971,395	-	-	-	3,971,395	-	-	-	3,971,395	7,623,779
School endowments	-	-	-	751,419	751,419	-	-	-	751,419	1,399,325
School operation	-	11,634,351	-	-	11,634,351	-	-	-	11,634,351	7,964,931
Supplies	-	-	-	-	-	2,155	73,344	75,499	75,499	60,596
Travel	-	-	-	-	-	13,517	9,235	22,752	22,752	4,265
TV / Radio Ads	-	-	-	-	-	-	5,250	5,250	5,250	-
Uncollectible pledges	-	-	-	-	-	42,542	-	42,542	42,542	16,298
Venue	-	-	-	-	-	-	400,471	400,471	400,471	186,606
Vocational training grants	-	101,757	-	-	101,757	-	-	-	101,757	83,430
Total Other Expenses	3,971,395	14,448,795	375,212	751,419	19,546,821	211,361	1,565,819	1,777,180	21,324,001	18,422,487
Subtotal	4,038,026	14,448,795	375,212	751,419	19,613,452	305,379	2,341,383	2,646,762	22,260,214	19,062,443
Less: Direct benefit to donor	-	-	-	-	-	-	(675,512)	(675,512)	(675,512)	(234,215)
Total Expenses	\$ 4,038,026	\$ 14,448,795	\$ 375,212	\$ 751,419	\$ 19,613,452	\$ 305,379	\$ 1,665,871	\$ 1,971,250	\$ 21,584,702	\$ 18,828,228

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 2021)</i>	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (953,866)	\$ 1,125,225
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	3,880	2,774
Net realized and unrealized (gain)/loss on investments	90,096	(455)
Changes in assets and liabilities:		
Pledges receivable	(131,202)	29,849
Related party accounts receivable	(27,197)	(24,168)
Accounts payable	41,326	15,853
Accrued expenses	(101,137)	88,725
Total Adjustments	(124,234)	(8,819)
Net Change from Operating Activities	(1,078,100)	1,116,406
Cash Flows From Investing Activities		
Additions of property and equipment	(2,810)	(2,379)
Net purchases/sales of investments	95,238	25,801
Dividends and interest reinvested, net of fees	8,487	(6,978)
Net Change from Investing Activities	100,915	16,444
Cash Flows From Financing Activities		
Repayments on PPP refundable advance	-	(5,603)
Net Change from Financing Activities	-	(5,603)
Net Change in Cash and Cash Equivalents	(977,185)	1,127,247
Cash and Cash Equivalents, Beginning of Year	7,059,046	5,931,799
Cash and Cash Equivalents, End of Year	\$ 6,081,861	\$ 7,059,046

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, 2021, 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

The Citizens Foundation, USA

Notes to Financial Statements

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.

Newly Adopted Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires a not-for-profit organization to disclose contributed nonfinancial assets recognized within the statement of activities and changes in net assets disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The Organization adopted the new guidance effective January 1, 2022. There was no significant impact as a result of the implementation.

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, 2022 and 2021, the Organization had approximately \$3,358,000 and \$4,557,000, 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 \$459,117 at December 31, 2022, and consist of \$451,168 in exchange traded funds, common stock, and mutual funds and \$8,009 of cash held for long-term investment, which are held at a brokerage firm. Additionally, treasury bills amounting to \$2,243,439 were held at the same brokerage firm and are fully backed by the United States government. The Organization had no investment and cash equivalents that were not insured by the SIPC at December 31, 2022.

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 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 as of December 31, 2022, comprise the following:

Financial Assets:	
Cash and cash equivalents	\$6,081,861
Pledges receivable, net	154,440
Related party receivables	51,365
Investments	459,177
Total financial assets	6,746,843
Less financial assets not available for general expenditure:	
Board designated endowment	(538,177)
Donor restricted endowment	(75,000)
Financial assets available to meet cash needs for general expenditures within one year	\$6,133,666

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 – PLEDGES RECEIVABLE

As of December 31, 2022 and 2021, unconditional pledges are comprised of the following:

	2022	2021
Pledges receivable due in one year, gross	\$193,050	\$36,510
Less: allowance for doubtful accounts	(38,610)	(13,272)
Total pledges receivable, net	\$154,440	\$23,238

Concentrations – For the year ended December 31, 2022, one donor made up approximately sixty-five percent (65%) of total pledges receivable.

The Citizens Foundation, USA

Notes to Financial Statements

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2022 and 2021, property and equipment consist of the following:

	2022	2021
Furniture and fixtures	\$2,494	\$2,494
Machinery and equipment	30,986	28,176
Intangible assets	3,000	3,000
Subtotal property and equipment	36,480	33,670
Less: accumulated depreciation	(31,486)	(27,606)
Total property and equipment, net	\$4,994	\$6,064

Depreciation expense charged to operations for the years ended December 31, 2022 and 2021 was \$3,880 and \$2,774, respectively.

NOTE 6 – 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 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, 2022 were as follows:

	Level 1	Level 2	Level 3	Total
Cash held for long-term investments	\$8,009	-	-	\$8,009
Exchange-traded funds	451,168	-	-	451,168
Mutual funds	-	-	-	-
Totals	\$459,177	-	-	\$459,177

The Citizens Foundation, USA

Notes to Financial Statements

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

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.

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 7 – DONATED FACILITIES

On May 1, 2020, the Organization entered into a month-to-month lease agreement for certain office space in Houston, Texas at a monthly rate below fair market value. An analysis of similar office space was performed by management to determine the fair value of the leased space. Accordingly, the Organization has recorded in-kind rent revenue and expense on the statement of activities in the amount of approximately \$30,000 and \$36,000 for the years ended December 31, 2022 and 2021.

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2022 and 2021 are comprised of the following:

	2022	2021
Net assets without donor-restriction or board designation	\$3,760,406	\$569,000
Board designated endowment funds	538,177	618,160
Total net assets without donor restrictions	\$4,298,583	\$1,187,160

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose:		
School construction, operation and scholarship	\$2,282,941	\$6,348,230
Endowment subject to spending policy and appropriation:		
School construction and operation	75,000	75,000
Total net assets with donor restrictions	\$2,357,941	\$6,423,230

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Notes to Financial Statements

NOTE 10 – 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, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions:		
School construction, operation and scholarship	\$10,657,793	\$6,510,144
Total net assets released from restrictions	\$10,657,793	\$6,510,144

NOTE 11 – 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, 2022, the Organization granted the Foundation \$19,546,821, or ninety-one percent (91%) of the Organization's total expenses, for programs related to school construction, school operations, school endowments, and scholarships.

For the year ended December 31, 2021, the Organization granted the Foundation \$17,372,448, or ninety-two percent (92%) of the Organization's total expenses, for programs related to school construction, school operations, school endowments, and scholarships.

NOTE 12 – CONCENTRATIONS

In 2022, the Organization conducted numerous fund-raising events in several cities throughout the year, which provided \$4,887,316 or approximately twenty-three percent (23%) of its operating revenues. The gross proceeds raised of \$5,562,828 less the direct costs of benefits to donors of \$675,512 incurred may fluctuate from year-to-year based on economic and other factors.

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.

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.

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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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$538,177	\$ -	\$538,177
Donor restricted endowment funds to be maintained in perpetuity	-	75,000	75,000
Total endowments funds	\$538,177	\$75,000	\$613,177

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

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Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Contributions	-	-	-
Net investment loss	(79,983)	-	(79,983)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2022	\$538,177	\$75,000	\$613,177

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 13, 2023, the date the financial statements were available to be issued. No events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.