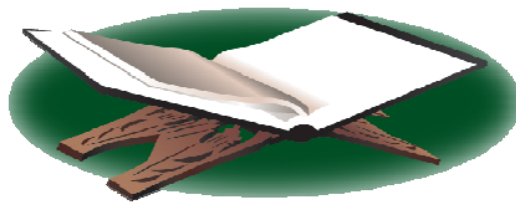


# Hidaya Foundation



**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2012**

# HIDAYA FOUNDATION

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# DE GUZMAN & ASSOCIATES

*A Professional Accountancy Corporation*

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## Independent Auditors' Report

Board of Directors  
Hidaya Foundation  
Santa Clara, California

We have audited the accompanying statement of financial position of Hidaya Foundation as of December 31, 2012 and the related statements of activities 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.

### *Auditor's Responsibility*

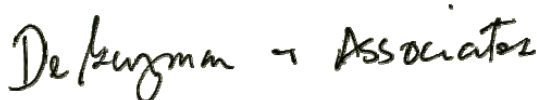
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Hidaya Foundation as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



De Guzman & Associates  
Milpitas, California  
April 9, 2013

**HIDAYA FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2012**

ASSETS

Current Assets:	
Cash	\$ 1,321,340
Investments	90,146
Due from Affiliate	<u>1,477,997</u>
Total Current Assets	<u>2,889,483</u>
Property and Equipment:	
Computers	33,816
Equipment	<u>8,906</u>
Total	42,722
Accumulated Depreciation	<u>(34,969)</u>
Total Property and Equipment - Net	<u>7,753</u>
Other Assets	<u>740</u>
Total Assets	<u><u>\$ 2,897,976</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>\$ 10,224</u>
Total Current Liabilities	<u>10,224</u>
Net Assets:	
Unrestricted	<u>2,887,752</u>
Total Net Assets	<u>2,887,752</u>
Total Liabilities and Net Assets	<u><u>\$ 2,897,976</u></u>

*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**Statement of Activities**  
**Year Ended December 31, 2012**

<b>REVENUE AND SUPPORT:</b>	
Donor Contributions	\$ 4,422,047
Contributed Services	30,370
Dividend and Capital Gains (Losses)	3,245
Change in value of investments	<u>(6,839)</u>
 Total Revenue and Support	 <u>4,448,823</u>
 <b>EXPENSES:</b>	
 Program Services	 3,488,877
Administrative and General	253,416
Fundraising	<u>38,731</u>
 Total Expenses	 <u>3,781,024</u>
 CHANGE IN NET ASSETS	 667,799
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 <u>2,219,953</u>
 UNRESTRICTED NET ASSETS, END OF YEAR	 <u><u>\$ 2,887,752</u></u>

*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2012**

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 667,799
Adjustments to Reconcile Changes in Net Assets to Net Cash:	
Change in Value of Investments	6,839
Depreciation	3,675
(Increase) Decrease in Current Assets:	
Due from Affiliate	(1,477,997)
Increase (Decrease) in Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>7,927</u>
Net Cash Provided by (Used in) Operating Activities	<u>(791,757)</u>
Cash Flows from Investing Activities:	
Net decrease in Investments	<u>38,301</u>
Cash Provided by (Used in) Investing Activities:	<u>38,301</u>
Cash Flows from Financing Activities:	
	<u>-</u>
Cash Provided by (Used in) Financing Activities	<u>-</u>
Increase (Decrease) in Cash	(753,456)
Cash Balance, Beginning of Year	<u>2,074,796</u>
Cash Balance, End of Year	<u><u>\$ 1,321,340</u></u>

*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

1. ORGANIZATION

Hidaya Foundation was incorporated as a nonprofit corporation in May 1999 to fund and promote charitable organizations and causes that encourage the improvement of social and economic conditions in rural areas of Province of Sindh, Pakistan and other economically depressed areas approved by the Board.

It was granted tax-exempt status by the Internal Revenue Service under Section 501 (c) (3) and by the California Franchise Tax Board under Section 23701 (d).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting. The assets, liabilities and net assets are classified in accordance with specified restrictions or objectives as follows:

- Unrestricted Net Assets – Portion of net assets that are not externally restricted nor invested in capital assets. Unrestricted net assets may be designated for specific purposes by management.
- Restricted Net Assets – Portion of net assets resulting from transactions with purpose restrictions are classified as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Net assets whose use by Hidaya is subject to externally-imposed restrictions that can be fulfilled by actions of Hidaya pursuant to those restrictions or that expire by the passage of time are classified as temporarily restricted net assets. Net assets subject to externally-imposed restrictions that must be retained in perpetuity would be classified as permanently restricted net assets

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.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts.

**HIDAYA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

Support and Revenue

Cash contributions, which are primarily zakat (obligatory charity contributions), are recognized upon receipt, while in-kind donations are measured at their fair market value at the time of donation. There were no permanent restrictions on contributions received during the year.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to Hidayah's programs and supporting services. The value of the contributed time estimated to be \$6,915 is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills provided by individuals possessing those skills, and need to be purchased if not provided by donation, are recognized as revenue and expense. These contributed services are mainly accounting, information technology and marketing services.

Cash and Cash Equivalents

Cash and cash equivalents consisted of bank accounts maintained with various local financial institutions, which are insured by the Federal Deposit Insurance Corporation. At times, the balance in the accounts may be in excess of federally insured limits.

Functional Allocation of Expenses

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

### 3. PROGRAMS

The programs of Hidayah Foundation are summarized as follows:

Social Welfare Programs – projects undertaken to serve the poorest in economically depressed areas by providing food, water, clothes, household items, school supplies and materials, toys and cash. Projects include Zakat distribution (obligatory charity), Disaster relief, One million meals, Marriage support, Widow/orphan support, Container shipment for in-kind donations, Sadaqah (charity), Qurbani (meat distribution at the time of Eid ul Adha), Sadaqat-ul-fitr (food for the poor at time of Eid), Fidyah (compensation for missed fasts at Ramadan), Aqiqah (charity on occasion of new-born child), and Kaffara (food for the poor for expiation of wrong actions).



**HIDAYA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2012**

Education Programs – involves providing educational opportunities to reduce illiteracy among the poor in projects as No orphan without education, Spread education, Hidayah Institute of Farming & Agriculture, Support Hidayah schools, Job skills training, One million books, and Disaster preparedness team.

Healthcare Programs – projects carried out to assist the poor in meeting basic health care needs, such as Medical assistance, Medical camps and Preventive health care education.

Environment Programs – program undertaken to promote care of the environment, such as projects on Green energy, One million trees and Clean drinking water (Water hand pump, Delivery with water tanker and Deep wells).

Self- Employment Programs – projects carried out in helping people become financially independent and self- sufficient in programs such as Animal farming, Small businesses for the poor and Farmer assistance.

Information and Communication Technology Programs – involves providing training opportunities to students with limited financial resources. Hands-on classes are offered by Hidayah Institute of Science & Technology (HIST) in the following courses: Basic Computer Skills, Software Development Training, System Administration Training and Network Administration Training.

#### 4. DUE FROM AFFILIATE

This represents program funds that have not yet been disbursed for program operations by Hidayah Trust. These funds will be disbursed in 2013.

#### 5. INVESTMENTS

Investments held by a custodial bank are carried at market value and consist mainly of publicly-traded stocks.

#### 6. RELATED PARTY TRANSACTIONS

A significant portion of the social welfare programs are implemented through Hidayah Trust, an affiliated organization based in Pakistan.

# DE GUZMAN & ASSOCIATES

*A Professional Accountancy Corporation*

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## Independent Auditors' Report on Supplementary Information

Board of Directors  
Hidaya Foundation  
Santa Clara, California

We have audited the accompanying statement of financial position of Hidaya Foundation as of December 31, 2012 and the related statements of activities 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.

### *Auditor's 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 of 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Hidaya Foundation as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary financial information identified on pages 10 to 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*De Guzman & Associates*

De Guzman & Associates  
Milpitas, California  
April 9, 2013

**HIDAYA FOUNDATION**  
**Schedule of Contributions and Program Services**  
**Year ended December 31, 2012**

	<u>Contributions</u>	<u>Program Services</u>
Social Welfare Programs	\$ 3,874,896	\$ 2,853,492
Environment Programs	254,190	250,486
Education Programs	136,818	146,235
Self Employment Programs	67,494	96,225
Healthcare Programs	116,940	119,785
Information Technology Programs	<u>2,079</u>	<u>22,654</u>
 Total	 <u>\$ 4,452,417</u>	 <u>\$ 3,488,877</u>

*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**Schedule of Functional Expenses**  
**Year Ended December 31, 2012**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program Grants	\$ 3,126,859	\$	\$	\$ 3,126,859
Payroll Costs	211,809	116,063		327,872
Marketing	11,006	19,807	29,710	60,523
Postage and Delivery	19,003	34,226		53,229
Bank and Merchant Service Charges	48,308	866		49,174
Advertising	26,000	6,013	9,021	41,034
Insurance		33,572		33,572
Volunteer Services	27,333	3,037		30,370
Rent	10,500	8,880		19,380
Supplies		13,354		13,354
Professional Fees		10,000		10,000
Telephone	3,847	1,649		5,496
Depreciation		3,674		3,674
Travel	2,525	750		3,275
Internet Charges	1,216	1,216		2,432
Repairs & maintenance	471			471
Taxes and Licenses		199		199
Dues & subscriptions		110		110
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 3,488,877</u>	<u>\$ 253,416</u>	<u>\$ 38,731</u>	<u>\$ 3,781,024</u>

*See accompanying notes to financial statements.*