

Hidaya Foundation



**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2008

HIDAYA FOUNDATION

Table of Contents

	<u>Page</u>
<i>Independent Auditors' Report on Financial Statements</i>	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7
<i>Independent Auditors' Report on Supplementary Information</i>	8
<u>Supplementary Information</u>	
Schedule of Contributions and Program Services	9
Schedule of Functional Expenses	10

DE GUZMAN & ASSOCIATES

A Professional Accountancy Corporation

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, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Hidaya Foundation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Hidaya Foundation as of December 31, 2008 and the changes in its cash flows and its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.



De Guzman & Associates
Milpitas, California

March 18, 2009

HIDAYA FOUNDATION
Statement of Financial Position
December 31, 2008

ASSETS

Current Assets:

Cash	\$ 1,202,421
Investments	<u>373,954</u>

Total Current Assets	<u>1,576,375</u>
----------------------	------------------

Property and Equipment:

Computers	16,330
Equipment	<u>8,906</u>

Total	25,236
Accumulated Depreciation	<u>(20,878)</u>

Total Property and Equipment - Net	<u>4,358</u>
------------------------------------	--------------

Other Assets	<u>600</u>
--------------	------------

Total Assets	<u><u>\$ 1,581,333</u></u>
--------------	----------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$ <u>3,297</u>
---------------------------------------	-----------------

Total Current Liabilities	<u>3,297</u>
---------------------------	--------------

NET ASSETS

Permanently Restricted	302,071
Unrestricted	<u>1,275,965</u>

	<u>1,578,036</u>
--	------------------

Total Liabilities and Net Assets	<u><u>\$ 1,581,333</u></u>
----------------------------------	----------------------------

See accompanying notes to financial statements.

HIDAYA FOUNDATION
Statement of Activities
Year Ended December 31, 2008

REVENUE AND SUPPORT:	
Donor Contributions	\$ 3,030,023
Contributed Services	25,720
Dividend and Capital Gains	2,122
Change in value of investments	<u>(193,610)</u>
Total Revenue and Support	<u>2,864,255</u>
EXPENSES:	
Program Services	2,940,385
Administrative and General	<u>188,928</u>
Total Expenses	<u>3,129,313</u>
CHANGE IN NET ASSETS	(265,058)
Net Assets, Beginning of Year	
Permanently Restricted	302,071
Unrestricted	<u>1,541,023</u>
	<u>1,843,094</u>
Net Assets, End of Year	
Permanently Restricted	302,071
Unrestricted	<u>1,275,965</u>
	<u>\$ 1,578,036</u>

See accompanying notes to financial statements.

**HIDAYA FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31,2008**

Cash Flows from Operating Activities:

Change in Net Assets	\$ (265,058)
Adjustments to Reconcile Changes in Net Assets to Net Cash:	
Change in Value of Investments	193,610
Depreciation	2,966
(Increase) Decrease in Current Assets:	
Donated Inventories	4,428
Increase (Decrease) in Current Liabilities:	
Accounts Payable and Accrued Expenses	2,607
Net Cash Used in Operating Activities	(61,447)
Cash Flows from Investing Activities:	
Investment Purchases	(10,922)
Cash Used in Investing Activities:	(10,922)
Cash Flows from Financing Activities:	-
Cash Provided by (Used in) Financing Activities	-
Decrease in Cash	(72,369)
Cash Balance, Beginning of Year	1,274,790
Cash Balance, End of Year	\$ 1,202,421

See accompanying notes to financial statements.

HIDAYA FOUNDATION

Notes to Financial Statements

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

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

Support and Revenue

Cash contributions are recognized upon receipt, which are primarily zakat (obligatory charity) contributions, while in-kind donations are measured at their fair market value at the time of donation.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to Hidaya's programs and supporting services. The value of the contributed time estimated to be \$22,637 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 graphic design 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 Hidaya 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, Disaster relief, One million meals, Marriage support for girls, Widow/orphan support, Container shipment, Farmer assistance, Self employment, Sadaqah (charity), Qurbani (meat distribution at the time of Eid ul Adha), Sadaqat-ul-fitr (food for the poor at time of Eid), Fidya (food 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

Education Programs – involves providing educational opportunities to reduce illiteracy among the poor in projects as No orphan without education, Sponsor a student, Female education drop-out prevention, Support a school, Information technology training, Vocational training, Career development, 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, Hospital assistance, Medical camps and Preventive health care education.

Environment Programs – program undertaken to promote care of the environment, such as projects on Renewable Energy, Clean Drinking Water (Water Hand Pump and Deep Wells) and One Million Trees.

4. INVESTMENTS

Investments held by a custodial bank are carried at market value and consist of the following as of December 31, 2008:

Stocks	\$153,465
Money market funds	220,489
	<u>\$373,954</u>

5. RELATED PARTY TRANSACTIONS

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

DE GUZMAN & ASSOCIATES

A Professional Accountancy Corporation

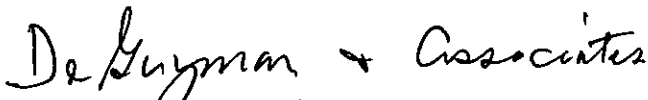
Independent Auditors' Report on Supplementary Information

Board of Directors
Hidaya Foundation
Santa Clara, California

We have audited the financial statements of Hidaya Foundation for the year ended December 31, 2008 and have issued our report thereon dated April 5, 2009. These financial statements are the responsibility of the management of Hidaya Foundation. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Hidaya Foundation taken as a whole. The supplementary financial information identified on pages 9 to 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information in these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


De Guzman & Associates
Milpitas, California

March 18, 2009

HIDAYA FOUNDATION
Schedule of Contributions and Program Services
Year ended December 31, 2008

	<u>Contributions</u>	<u>Program Services</u>
Social Welfare Programs	\$ 2,763,384	\$ 2,659,597
Education Programs	170,288	149,185
Environment Programs	94,406	108,401
Healthcare Programs	<u>27,665</u>	<u>23,202</u>
Total	<u>\$ 3,055,743</u>	<u>\$ 2,940,385</u>

See accompanying notes to financial statements.

HIDAYA FOUNDATION
Schedule of Functional Expenses
Year Ended December 31, 2008

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Program Grants	\$ 2,520,236	\$	\$ 2,520,236
Payroll Costs	191,633	63,655	255,288
Advertising	104,182	11,576	115,758
Postage and Delivery	52,349	36,257	88,606
Bank and Merchant Service Charges	13,649	13,649	27,298
Volunteer Services	23,148	2,572	25,720
Insurance		24,468	24,468
Rent	12,249	7,200	19,449
Supplies	4,207	9,317	13,524
Telephone	5,098	3,334	8,432
Professional Fees		8,250	8,250
Travel	4,011	3,925	7,936
Marketing	5,993	665	6,658
Depreciation		2,966	2,966
Outside Services	2,311		2,311
Internet Charges	886	886	1,772
Printing and Publication	433	48	481
Taxes and Licenses		160	160
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,940,385</u>	<u>\$ 188,928</u>	<u>\$ 3,129,313</u>

See accompanying notes to financial statements.