

# **Hidaya Foundation**



**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2007**

# 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*

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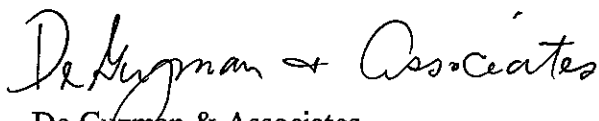
## Independent Auditors' Report

Board of Directors  
Hidaya Foundation  
Santa Clara, California

We have audited the accompanying statement of financial position of Hidaya Foundation as of December 31, 2007 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 in the above present fairly, in all material respects, the financial position of Hidaya Foundation as of December 31, 2007 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 5, 2008

**HIDAYA FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2007**

**ASSETS**

**Current Assets:**

Cash	\$ 1,274,790
Investments	556,642
Inventories	<u>4,428</u>

Total Current Assets	<u>1,835,860</u>
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**Property and Equipment:**

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

Total	25,236
Accumulated Depreciation	<u>(17,912)</u>

Total Property and Equipment - Net	<u>7,324</u>
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Other Assets	<u>600</u>
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Total Assets	<u><u>\$ 1,843,784</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts Payable and Accrued Expenses	<u>\$ 690</u>
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Total Current Liabilities	<u>690</u>
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**NET ASSETS**

Permanently Restricted	302,071
Unrestricted	<u>1,541,023</u>

<u>1,843,094</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,843,784</u></u>
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*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**Statement of Activities**  
**Year Ended December 31, 2007**

<b>REVENUE AND SUPPORT:</b>	
Donor Contributions	\$ 3,078,388
Contributed Services	36,800
Dividend and Capital Gains	2,428
Change in value of investments	<u>(79,734)</u>
 Total Revenue and Support	 <u>3,037,882</u>
 <b>EXPENSES:</b>	
Program Services	2,105,871
Administrative and General	<u>178,660</u>
 Total Expenses	 <u>2,284,531</u>
 CHANGE IN NET ASSETS	 753,351
Net Assets, Beginning of Year	
Permanently Restricted	302,071
Unrestricted	<u>787,672</u>
	<u>1,089,743</u>
 Net Assets, End of Year	
Permanently Restricted	302,071
Unrestricted	<u>1,541,023</u>
	<u>\$ 1,843,094</u>

*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31,2007**

Cash Flows from Operating Activities:

Change in Net Assets	\$ 753,351
Adjustments to Reconcile Changes in Net Assets to Net Cash:	
Change in Value of Investments	79,734
Depreciation	4,788
(Increase) Decrease in Current Assets:	
Donated Inventories	(4,428)
Increase (Decrease) in Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>(3,053)</u>

Net Cash Provided by Operating Activities 830,392

Cash Flows from Investing Activities:

Investment Purchases	(24,640)
Net reductions (additions) to property	(282)
Decrease in Other Assets	<u>500</u>

Cash Used in Investing Activities: (24,422)

Cash Flows from Financing Activities: -

Cash Provided by (Used in) Financing Activities -

Increase in Cash 805,970

Cash Balance, Beginning of Year 468,820

Cash Balance, End of Year \$ 1,274,790

*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 and 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 Hidayah's programs and supporting services. The value of the contributed time 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 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, Disaster relief, One million meals, Water hand pump, Marriage support for girls, Widow/orphan support, Container shipment, Farmer assistance, Self employment, Qard-e-hasana (interest-free loans), Sadaqah (charity), Qurbani (animal sacrifice), Sadaqat-ul-fitr (food for the poor at time of Eid), Fidya (food for missed fasts at Ramadan), Aqiqah (sacrifice for 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, Disaster preparedness team, and One million trees.

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.

**4. INVESTMENTS**

Investments held by a custodial bank are carried at market value and consist of the following as of December 31, 2007:

Stocks	\$343,093
Money market funds	<u>213,549</u>
	<u>\$556,642</u>

**5. RELATED PARTY TRANSACTIONS**

A significant portion of the social welfare programs are implemented through Hidaya 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 financial statements of Hidaya Foundation for the year ended December 31, 2007 and have issued our report thereon dated March 5, 2008. 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 5, 2008

**HIDAYA FOUNDATION**  
**Schedule of Contributions and Program Services**  
**Year ended December 31, 2007**

	<u>Contributions</u>	<u>Program Services</u>
Social Welfare Programs	\$ 2,957,381	\$ 1,913,195
Education Programs	134,035	163,541
Healthcare Programs	<u>23,772</u>	<u>29,135</u>
Total	<u>\$ 3,115,188</u>	<u>\$ 2,105,871</u>

*See accompanying notes to financial statements.*

**HIDAYA FOUNDATION**  
**Schedule of Functional Expenses**  
**Year Ended December 31, 2007**

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Program Grants	\$ 1,692,353	\$	\$ 1,692,353
Payroll Costs	205,328	80,971	286,299
Advertising	79,071	8,786	87,857
Postage and Delivery	49,519	10,861	60,380
Volunteer Services	33,120	3,680	36,800
Bank and Merchant Service Charges	12,713	12,713	25,426
Insurance		19,824	19,824
Rent	10,500	7,200	17,700
Professional Fees		9,750	9,750
Travel	3,080	6,396	9,476
Telephone	4,405	4,405	8,810
Supplies	419	6,169	6,588
Outside Services	6,155		6,155
Marketing	4,626	514	5,140
Depreciation		4,788	4,788
Printing and Publication	3,553	395	3,948
Internet Charges	1,029	1,028	2,057
Taxes and Licenses		1,180	1,180
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Total	<u>\$ 2,105,871</u>	<u>\$ 178,660</u>	<u>\$ 2,284,531</u>

*See accompanying notes to financial statements.*