

HIDAYA FOUNDATION

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

Year Ended December 31, 2005

HIDAYA FOUNDATION

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A Professional Accountancy Corporation

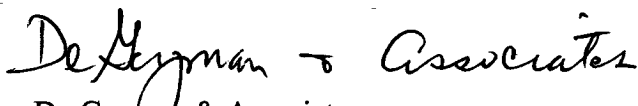
Independent Auditors' Report

Board of Directors
Hidaya Foundation
Santa Clara, California

We have audited the accompanying statement of financial position of Hidaya Foundation as of December 31, 2005 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, 2005 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

August 31, 2006

HIDAYA FOUNDATION
Statement of Financial Position
December 31, 2005

ASSETS

Current Assets:

Cash	\$ 1,748,110
Investments	<u>160,381</u>

Total Current Assets	<u>1,908,491</u>
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Property and Equipment:

Computers	10,861
Equipment	<u>6,650</u>

Total	17,511
Accumulated Depreciation	<u>(7,383)</u>

Total Property and Equipment - Net	<u>10,128</u>
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Other Assets	<u>500</u>
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Total Assets	<u><u>\$ 1,919,119</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	<u>\$ 15,544</u>
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Total Current Liabilities	<u>15,544</u>
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NET ASSETS

Permanently Restricted	302,071
Unrestricted	<u>1,601,504</u>

	<u>1,903,575</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,919,119</u></u>
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See accompanying notes to financial statements.

HIDAYA FOUNDATION
Statement of Activities
Year Ended December 31, 2005

REVENUE AND SUPPORT:	
Donor Contributions	\$ 4,060,365
Dividend and Capital Gains	1,003
Change in value of investments	(21,990)
Other Income	<u>5,684</u>
Total Revenue and Support	<u>4,045,062</u>
EXPENSES:	
Program Services	2,425,793
Administrative and General	<u>246,918</u>
Total Expenses	<u>2,672,711</u>
CHANGE IN NET ASSETS	1,372,351
Net Assets, Beginning of Year	
Permanently Restricted	302,071
Unrestricted	<u>229,153</u>
	<u>531,224</u>
Net Assets, End of Year	
Permanently Restricted	302,071
Unrestricted	<u>1,601,504</u>
	<u>\$ 1,903,575</u>

See accompanying notes to financial statements.

HIDAYA FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31,2005

Cash Flows from Operating Activities:

Change in Net Assets	\$ 1,372,351
Adjustments to Reconcile Changes in Net Assets to Net Cash:	
Change in Value of Investments	21,990
Depreciation	5,631
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	13,455
Net Cash Provided by Operating Activities	1,413,427
 Cash Flows from Investing Activities:	
Investment Purchases	(33,808)
Net reductions (additions) to property	(7,457)
 Cash Provided (Used) by Investing Activities:	 (41,265)
 Cash Flows from Financing Activities:	 _____
 Cash Provided (Used) by Financing Activities	 _____
 Increase (Decrease) in Cash	 1,372,162
 Cash Balance, Beginning of Year	 375,948
 Cash Balance, End of Year	 \$ 1,748,110

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 or as 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.

HIDAYA FOUNDATION

Notes to Financial Statements

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.

Depreciation is calculated using the modified accelerated cost recovery system over the estimated useful life of the asset.

Support and Revenue

Cash contributions are recognized upon receipt and are primarily from private sources while in-kind donations are measured at their fair market value.

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:

Educational and Vocational Programs - Projects undertaken provide books, tuition fees, stipends, computers, software and other school equipment.

Social Welfare and Disaster Relief Programs - Projects carried out involves providing food, clothing and shelter to families in poverty areas and those displaced by disaster or emergencies.

Healthcare Programs - Projects undertaken involves providing support to underprivileged patients for medication and treatment

Container Shipment Programs - The foundation collects in-kind new and used items, such as clothes, books, toys, for distribution to the poor and needy in South Asia and other disaster-affected areas. Each container shipped contains between 2,000 to 3,000 bags of donated items with a value ranging between \$10 to \$15 for each bag.

HIDAYA FOUNDATION
Notes to Financial Statements

4. INVESTMENTS

Investments held by a custodial bank are carried at **market** value and consist of the following:

Stocks	\$148,974
Money market funds	11,407
	<u>160,381</u>

5. RELATED PARTY TRANSACTIONS

A significant portion of the social services and disaster relief programs and container shipment programs are implemented through Hidayah Trust, an affiliated organization based in Pakistan.

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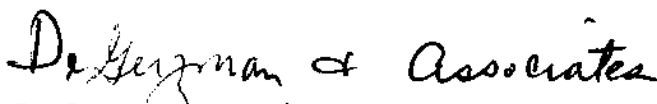
Independent Auditors' Report on Supplementary Information

Board of Directors
Hidaya Foundation
Santa Clara, California

We have audited the financial statements of Hidaya Foundation for the year ended December 31, 2005 and have issued our report thereon dated August 31, 2006. 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

August 31, 2006

HIDAYA FOUNDATION
Schedule of Contributions and Program Services
Year ended December 31, 2005

	<u>Contributions</u>	<u>Program Services</u>
Social Welfare and Disaster Relief Projects	\$ 3,468,942	\$ 1,832,721
Container Shipment Projects	540,000	540,000
Educational and Vocational Projects	28,855	51,470
Healthcare Projects	<u>22,568</u>	<u>1,602</u>
Total	<u><u>\$ 4,060,365</u></u>	<u><u>\$ 2,425,793</u></u>

See accompanying notes to financial statements.

HIDAYA FOUNDATION
Schedule of Functional Expenses
Year Ended December 31, 2005

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Program Grants	\$ 2,281,104	\$ -	\$ 2,281,104
Payroll Costs	8,184	135,573	143,757
Postage and Delivery	51,669	5,936	57,605
Advertising	29,021	13,009	42,030
Printing and Publication	33,166	6,305	39,471
Bank and Merchant Service Charges	-	30,679	30,679
Travel and Entertainment	14,576	6,478	21,054
Marketing	-	12,206	12,206
Insurance	-	11,532	11,532
Supplies	5,853	3,391	9,244
Telephone	91	7,424	7,515
Rent	60	6,500	6,560
Depreciation	-	5,631	5,631
Repairs and Maintenance	2,069	-	2,069
Internet Charges		1,529	1,529
Professional Fees		725	725
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Total	\$ 2,425,793	\$ 246,918	\$ 2,672,711
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See accompanying notes to financial statements.