

Abdi Sheikh-Ali, CPA, PLLC

Amoud Foundation

Independent Accountant's Audit Report Together with Financial Statements
For the year ended December 31, 2016

AMOUD FOUNDATION

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INDEPENDENT ACCOUNTANT'S AUDIT REPORT

To the Board of Directors of
Amoud Foundation:

We have audited the accompanying financial statements of Amoud Foundation (a nonprofit organization) which comprise of the statement of financial position as of December 31, 2016, and the related statements of activities and cash flow for the year then ended.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amoud Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Abdi Sheikh-Ali, CPA, PLLC
Plano, Texas
May 4, 2017

Amoud Foundation
Statement of Financial Position
As of December 31, 2016

ASSETS

Cash	\$ 459,845
Pledges receivable - net	32,335
Notes receivable	50,000
Investments	120,000
Property, Plant & Equipment - net	<u>1,460</u>
Total assets	<u>\$ 663,640</u>

LIABILITIES

Payroll liabilities	<u>\$2,889</u>
Total liabilities	<u>\$ 2,889</u>

NET ASSETS

Unrestricted net assets	<u>\$ 660,751</u>
Total net assets	<u>\$ 660,751</u>

Total net assets and liabilities	<u>\$ 663,640</u>
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The accompanying report and notes are an integral part of these financial statements

Amoud Foundation
Statement of Activities
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING INCOME			
Grants and contributions	\$ 1,693,880	\$ -	\$ 1,693,880
In-kind donations	218,320	-	218,320
Total gross operating income	<u>\$ 1,912,200</u>	<u>\$ -</u>	<u>\$ 1,912,200</u>
OPERATING EXPENSES			
Advertising and promotion	\$ 24,031	\$ -	\$ 24,031
Bad debt expense	22,185	-	22,185
Bank service charges	19,732	-	19,732
Charitable donations	29,255	-	29,255
Dues and subscriptions	431	-	431
Equipment rental	15	-	15
Fundraising expenses	151,034	-	151,034
Gifts	2,500	-	2,500
Insurance expense	550	-	550
Legal and professional fees	8,750	-	8,750
Licenses, permits, and local taxes	1,534	-	1,534
Occupancy expenses	6,700	-	6,700
Office expense	14,936	-	14,936
Payroll and related expenses	45,422	-	45,422
Postage and delivery	3,063	-	3,063
Printing and reproduction	6,627	-	6,627
Program expenses	1,610,059	-	1,610,059
Supplies	8,131	-	8,131
Telephone and communication	5,396	-	5,396
Training and development	3,657	-	3,657
Travel and meeting expense	35,326	-	35,326
Total operating expenses	<u>\$ 1,999,334</u>	<u>\$ -</u>	<u>\$ 1,999,334</u>
Net operating income (loss)	<u>\$ (87,134)</u>	<u>\$ -</u>	<u>\$ (87,134)</u>
OTHER INCOME			
Prior period adjustment	\$ 7,947	\$ -	\$ 7,947
Realized gain on sale of assets	38,607	-	38,607
Net assets released from restriction	262,960	(262,960)	-
Total other income	<u>\$ 309,514</u>	<u>\$ (262,960)</u>	<u>\$ 46,554</u>
OTHER (EXPENSES)			
Depreciation expense	\$ (560)	\$ -	\$ (560)
Total other expenses	<u>\$ (560)</u>	<u>\$ -</u>	<u>\$ (560)</u>
Change in net assets	<u>\$ 221,820</u>	<u>\$ (262,960)</u>	<u>\$ (41,140)</u>
Net assets at beginning of year	\$ 438,931	\$ 262,960	\$ 701,891
Net assets at end of year	<u>\$ 660,751</u>	<u>\$ -</u>	<u>\$ 660,751</u>

The accompanying report and notes are an integral part of these financial statements

Amoud Foundation
Statement of Cash Flows
For the year ended December 31, 2016

Cash flows from operating activities

Change in net assets \$ (41,140)

**Adjustments to reconcile Change in net assets
to net cash provided by operating activities:**

Depreciation expense	560
Bad debt expense	22,185
Decrease (increase) in receivables	(77,440)
Decrease (increase) in other assets	551
Increase (decrease) in payables	<u>(3,437)</u>
Net cash provided (used) by Operating activities	<u>\$ (98,721)</u>

Cash flows from investing activities

Decrease (increase) in assets held for resale	<u>\$ 100,000</u>
Net cash provided (used) by Investing activities	<u>\$ 100,000</u>

Cash flows from financing activities

Increase (decrease) in long-term liabilities	<u>\$ -</u>
Net cash provided (used) by Financing activities	<u>\$ -</u>

Net increase (decrease) in cash **\$ 1,279**

Cash at beginning of year \$ 458,566

Cash at end of year **\$ 459,845**

Amoud Foundation

Notes to Financial Statements - for the year ended December 31, 2016

1. Organization and Nature of Activities

Amoud Foundation is a non-profit organization based and incorporated in the State of Texas. Amoud Foundation's mission is to relieve the suffering of the poor in Horn of Africa by supporting the establishment of hospitals, educational facilities, orphanages, community wells, and providing other relief services such as, emergency food and shelters to victims of famine and natural disasters.

2. Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization follows a calendar year.

b. Concentration of Credit Risk

The Company maintains cash with local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the total deposits at these institutions up to \$250,000 per depositor.

c. Contributions

The financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). In accordance with Statement of Financial Accounting Standards (SFAS) 116 and 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- **Unrestricted net assets** – are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors.
- **Temporarily restricted net assets** – are subject to temporary donor-imposed restrictions and may be fulfilled by actions of the Organization to meet the donor-imposed stipulations or that become unrestricted by the passage of time.
- **Permanently restricted net assets** – are subject to permanent donor-imposed stipulations.

As of December 31, 2016, the Organization did not have any temporarily or permanently restricted net assets.

Amoud Foundation

Notes to Financial Statements - for the year ended December 31, 2016

d. Property, Plant, & Equipment

The Organization follows the practice of capitalizing all expenditures for property, furniture, fixtures, equipment, and leasehold improvements in excess of \$500. Depreciation or amortization of all such items is computed on a straight-line basis over the estimated useful lives of the assets which generally are as follows:

Buildings & improvements	39 years
Furniture and equipment	5 years
Vehicles	5 years
Leasehold improvements	life of lease or useful life (whichever is shorter)

In accordance with generally accepted accounting principles (GAAP), land is not depreciated and construction-in-progress is depreciated from the time it is placed into service.

Property, plant, & equipment (PP&E) at December 31, 2016 consisted of the following:

Description

Furniture and equipment	\$ <u>2,950</u>
Gross PP&E:	\$ 2,950
Accumulated depreciation	<u>\$(1,490)</u>
Net PP&E:	\$ 1,460

Depreciation expense for the year ended December 31, 2016 amounted to \$560.

e. Investments

The Organization records investments at cost when they are initially acquired. If the investments have readily determinable fair market values, the investment is adjusted for any unrealized gain or loss. At December 31, 2016, the organization held a real estate investment recorded at its initial cost of \$120,000.

f. Notes Receivable

Notes Receivable consists of a short-term, non-interest bearing loan provided to a local non-profit organization. Due to the collection history, the Organization considers the outstanding amount to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying financial statements. The notes receivable balance at December 31, 2016 amounted to \$50,000.

Amoud Foundation

Notes to Financial Statements - for the year ended December 31, 2016

g. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the following schedule. Accordingly, for the year ended December 31, 2016 certain costs have been allocated among the programs and supporting services benefited as follows:

<u>Description</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	24,031	-	\$	24,031
Bad debt expense	19,967	2,219	-	22,185
Bank service charges	17,759	1,973	-	19,732
Charitable donations	29,255	-	-	29,255
Dues and subscriptions	-	431	-	431
Equipment rental	-	15	-	15
Fundraising expenses	-	-	151,034	151,034
Gifts	-	2,500	-	2,500
Insurance	-	550	-	550
Legal and professional fees	-	8,750	-	8,750
Licenses, permits, and local taxes	-	1,534	-	1,534
Occupancy expenses	-	6,700	-	6,700
Office expense	-	14,936	-	14,936
Payroll and related expenses	-	45,422	-	45,422
Postage and shipping	-	3,063	-	3,063
Printing and reproduction	6,627	-	-	6,627
Program expenses	1,610,059	-	-	1,610,059
Supplies	-	8,131	-	8,131
Telephone and communication	-	5,396	-	5,396
Training and development	-	3,657	-	3,657
Travel and meeting expense	-	35,326	-	35,326
<i>Total operating expenses</i>	<u>\$ 1,707,697</u>	<u>\$ 140,603</u>	<u>\$ 151,034</u>	<u>\$ 1,999,334</u>
Depreciation expense	-	560	-	560
<i>Total expenses</i>	<u>\$ 1,707,697</u>	<u>\$ 141,163</u>	<u>\$ 151,034</u>	<u>\$ 1,999,894</u>

h. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar State statute and has not conducted any unrelated business activities. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates which affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

Amoud Foundation

Notes to Financial Statements - for the year ended December 31, 2016

j. Promises to Give

In the year ended December 31, 2016, the Organization received unconditional promises to give. The pledges are unrestricted and are expected to be collected in one year or less. The net pledges receivable balance consists of the following at December 31, 2016:

Pledges receivable (less than one year)	\$ 54,520
Less estimated uncollectible amounts	<u>(22,185)</u>
Pledges receivable – net	<u>\$ 32,335</u>

k. In-kind Donations

The Organization records various types of in-kind support, including services, books, materials and other tangible assets. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by the Organization do not meet these criteria. In the year ended December 31, 2016, the Organization recognized \$218,320 in in-kind support. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in program expense or reflected as an *Assets Held for Resale* on the Statement of Financial Position if still held by the Organization.

l. Date of Management's Review

In preparing financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through May 4, 2017, the date that the financial statements were available to be issued.

3. Assets Held for Resale

In prior years, the Organization received as in-kind donations some land (lot) that was being held for resale. The items were recorded at their estimated fair market value at the date of the donation (see Note 2k). The lot was sold in the year ended December 31, 2016 and the Organization subsequently recorded a realized gain of \$38,607 in connection with the sale of the lot.

Amoud Foundation

Notes to Financial Statements - for the year ended December 31, 2016

4. Commitments

The Organization has entered into a non-cancelable lease for its office space. The three-year lease spans from April 1, 2017 – March 31, 2020.

The future minimum annual rental payments are as follows:

<u>Year</u>	<u>Minimum Base Annual Rental Payments</u>
2017	\$ 13,257
2018	\$ 17,676
2019	\$ 17,676
2020	\$ 4,419

The future minimum monthly rental payments are subject to escalations due to real estate taxes and common area maintenance charges. For the year ended December 31, 2013, the Organization incurred lease expense \$6,700.