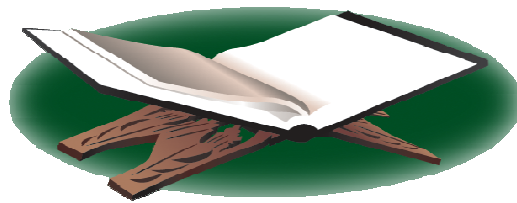


Hidaya Foundation



FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2011

HIDAYA FOUNDATION

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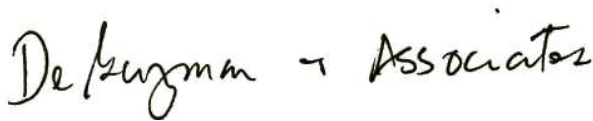
Independent Auditors' Report

Board of Directors
Hidaya Foundation
Santa Clara, California

We have audited the accompanying statement of financial position of Hidaya Foundation as of December 31, 2011 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, 2011 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

February 20, 2012

HIDAYA FOUNDATION
Statement of Financial Position
December 31, 2011

ASSETS

Current Assets:	
Cash	\$ 2,074,796
Investments	<u>135,286</u>
Total Current Assets	<u>2,210,082</u>
Property and Equipment:	
Computers	33,816
Equipment	<u>8,906</u>
Total	42,722
Accumulated Depreciation	<u>(31,294)</u>
Total Property and Equipment - Net	<u>11,428</u>
Other Assets	<u>740</u>
Total Assets	<u><u>\$ 2,222,250</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>\$ 2,297</u>
Total Current Liabilities	<u>2,297</u>
Net Assets:	
Unrestricted	<u>2,219,953</u>
Total Net Assets	<u>2,219,953</u>
Total Liabilities and Net Assets	<u><u>\$ 2,222,250</u></u>

See accompanying notes to financial statements.

HIDAYA FOUNDATION
Statement of Activities
Year Ended December 31, 2011

REVENUE AND SUPPORT:	
Donor Contributions	\$ 4,685,368
Contributed Services	37,120
Dividend and Capital Gains (Losses)	2,746
Change in value of investments	<u>14,312</u>
Total Revenue and Support	<u>4,739,546</u>
EXPENSES:	
Program Services	6,005,344
Administrative and General	218,494
Fundraising	<u>14,055</u>
Total Expenses	<u>6,237,893</u>
CHANGE IN NET ASSETS	(1,498,347)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>3,718,300</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 2,219,953</u></u>

See accompanying notes to financial statements.

HIDAYA FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

Cash Flows from Operating Activities:

Change in Net Assets	\$ (1,498,347)
Adjustments to Reconcile Changes in Net Assets to Net Cash:	
Change in Value of Investments	(14,312)
Depreciation	3,922
Increase (Decrease) in Current Liabilities:	
Accounts Payable and Accrued Expenses	<u>(3,549)</u>

Net Cash Provided by (Used in) Operating Activities (1,512,286)

Cash Flows from Investing Activities:

Net decrease in Investments	541,002
Equipment Purchases	<u>(2,675)</u>

Cash Provided by (Used in) Investing Activities: 538,187

Cash Flows from Financing Activities: -

Cash Provided by (Used in) Financing Activities -

Increase (Decrease) in Cash (974,099)

Cash Balance, Beginning of Year 3,048,895

Cash Balance, End of Year \$ 2,074,796

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, 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 \$12,290 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

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. INVESTMENTS

Investments held by a custodial bank are carried at market value and consist of the following as of December 31, 2011:

Stocks	\$108,550
Money market funds	26,736
	<u>\$135,286</u>

5. RELATED PARTY TRANSACTIONS

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

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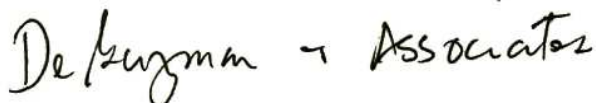
Independent Auditors' Report on Supplementary Information

Board of Directors
Hidaya Foundation
Santa Clara, California

We have audited the financial statements of Hidaya Foundation for the year ended December 31, 2011 and have issued our report thereon dated February 20, 2012. 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

February 20, 2012

HIDAYA FOUNDATION
Schedule of Contributions and Program Services
Year ended December 31, 2011

	<u>Contributions</u>	<u>Program Services</u>
Social Welfare Programs	\$ 4,249,514	\$ 5,466,744
Environment Programs	222,652	243,553
Education Programs	148,828	170,810
Self Employment Programs	39,345	47,857
Healthcare Programs	38,929	44,038
Information Technology Programs	<u>23,220</u>	<u>32,342</u>
 Total	 <u>\$ 4,722,488</u>	 <u>\$ 6,005,344</u>

See accompanying notes to financial statements.

HIDAYA FOUNDATION
Schedule of Functional Expenses
Year Ended December 31, 2011

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program Grants	\$ 5,318,573	\$	\$	\$ 5,318,573
Payroll Costs	255,865	146,705		402,570
Advertising	159,839	8,329	12,495	180,663
Postage and Delivery	121,666	6,994		128,660
Bank and Merchant Service Charges	48,747	1,791		50,538
Insurance	27,094	15,232		42,326
Volunteer Services	33,408	3,712		37,120
Outside Services	22,092			22,092
Rent	7,875	8,740		16,615
Professional Fees		14,250		14,250
Telephone	4,474	1,918		6,392
Travel	4,060	1,506		5,566
Depreciation		3,922		3,922
Marketing		1,040	1,560	2,600
Internet Charges	1,400	1,181		2,581
Supplies		2,470		2,470
Taxes and Licenses		515		515
Repairs & maintenance	251			251
Dues & subscriptions		189		189
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 6,005,344</u>	<u>\$ 218,494</u>	<u>\$ 14,055</u>	<u>\$ 6,237,893</u>

See accompanying notes to financial statements.