

***THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017***

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Human Development Foundation of North America

**Report on the Financial Statements**

I have audited the accompanying financial statements of The Human Development Foundation of North America (a nonprofit organization the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expense, change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

**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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

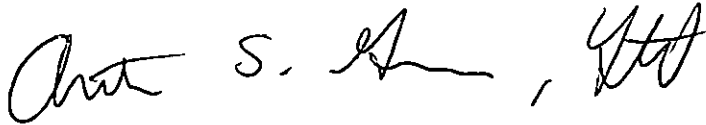
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Human Development Foundation of North America, as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of change in fund balances on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Chris S. Ash", followed by a comma and another set of initials "YH".

Northbrook, Illinois  
November 12, 2018

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2017**

|   | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Eliminations       | Total               |
|---|-------------------|---------------------------|---------------------------|--------------------|---------------------|
| <b>ASSETS:</b>                          |                   |                           |                           |                    |                     |
| <b>Current Assets:</b>                  |                   |                           |                           |                    |                     |
| Cash and cash equivalents               | \$ 387,720        | \$ 132,394                | \$ 234,241                | \$ -               | \$ 754,355          |
| Investments                             | -                 | -                         | 1,770,982                 | -                  | 1,770,982           |
| Prepaid expenses                        | 2,056             | -                         | -                         | -                  | 2,056               |
| Inter fund receivable                   | -                 | -                         | 93,023                    | (93,023)           | -                   |
| <b>Total current assets</b>             | <b>389,776</b>    | <b>132,394</b>            | <b>2,098,246</b>          | <b>(93,023)</b>    | <b>2,527,393</b>    |
| <b>Property and Equipment:</b>          |                   |                           |                           |                    |                     |
| Furniture and fixtures                  | 5,658             | -                         | -                         | -                  | 5,658               |
| Equipment                               | 12,030            | -                         | -                         | -                  | 12,030              |
| Computers                               | 14,411            | -                         | -                         | -                  | 14,411              |
|   | 32,099            | -                         | -                         | -                  | 32,099              |
| Accumulated depreciation                | (32,099)          | -                         | -                         | -                  | (32,099)            |
| <b>Total property and equipment</b>     | <b>-</b>          | <b>-</b>                  | <b>-</b>                  | <b>-</b>           | <b>-</b>            |
| <b>Other Assets:</b>                    |                   |                           |                           |                    |                     |
| Security deposit                        | 3,579             | -                         | -                         | -                  | 3,579               |
| <b>Total assets</b>                     | <b>393,355</b>    | <b>132,394</b>            | <b>2,098,246</b>          | <b>(93,023)</b>    | <b>2,530,972</b>    |
| <b>LIABILITIES AND NET ASSETS:</b>      |                   |                           |                           |                    |                     |
| <b>Current liabilities:</b>             |                   |                           |                           |                    |                     |
| Accounts payable and accrued expense    | 21,618            | -                         | -                         | -                  | 21,618              |
| Inter fund payable                      | 93,023            | -                         | -                         | (93,023)           | -                   |
| <b>Total current liabilities</b>        | <b>114,641</b>    | <b>-</b>                  | <b>-</b>                  | <b>(93,023)</b>    | <b>21,618</b>       |
| <b>Net Assets:</b>                      |                   |                           |                           |                    |                     |
| Unrestricted net assets                 | 278,714           | -                         | -                         | -                  | 278,714             |
| Temporarily restricted                  | -                 | 132,394                   | -                         | -                  | 132,394             |
| Permanently restricted                  | -                 | -                         | 2,098,246                 | -                  | 2,098,246           |
| <b>Total net assets</b>                 | <b>278,714</b>    | <b>132,394</b>            | <b>2,098,246</b>          | <b>-</b>           | <b>2,509,354</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 393,355</b> | <b>\$ 132,394</b>         | <b>\$ 2,098,246</b>       | <b>\$ (93,023)</b> | <b>\$ 2,530,972</b> |

The accompanying notes are an integral part of these financial statements.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2017**

| <b>SUPPORT AND REVENUE:</b>                        | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Support:   |                     |                                   |                                   |                     |
| Corporations                                       | \$ 113,188          | \$ 72,076                         | \$ -                              | \$ 185,264          |
| Foundations  | 14,083              | 65,321                            | -                                 | 79,404              |
| Individuals  | 1,098,460           | 858,518                           | 128,933                           | 2,085,911           |
| Net assets released from restrictions              | 1,210,713           | (1,210,713)                       | -                                 | -                   |
| Total support                                      | <u>\$ 2,436,444</u> | <u>\$ (214,798)</u>               | <u>\$ 128,933</u>                 | <u>\$ 2,350,579</u> |
| Revenue:   |                     |                                   |                                   |                     |
| Interest and dividend income                       | 313                 | -                                 | 60,970                            | 61,283              |
| BOD meeting registration                           | -                   | 1,051                             | -                                 | 1,051               |
| Net realized/unrealized gain (loss) on investments | -                   | -                                 | 222,465                           | 222,465             |
| Total revenue                                      | <u>313</u>          | <u>1,051</u>                      | <u>283,435</u>                    | <u>284,799</u>      |
| Total support and revenue                          | <u>\$ 2,436,756</u> | <u>\$ (213,747)</u>               | <u>\$ 412,368</u>                 | <u>\$ 2,635,377</u> |
| <b>EXPENSES:</b>                                   |                     |                                   |                                   |                     |
| Program services                                   | \$ 1,790,601        | \$ -                              | \$ -                              | \$ 1,790,601        |
| Management and general                             | 124,233             | -                                 | -                                 | 124,233             |
| Fundraising and development                        | 239,290             | -                                 | -                                 | 239,290             |
| Total expenses                                     | <u>\$ 2,154,124</u> | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 2,154,124</u> |
| Change in net assets                               | <u>\$ 282,632</u>   | <u>\$ (213,747)</u>               | <u>\$ 412,368</u>                 | <u>\$ 481,253</u>   |
| Net assets - January 1, 2017                       | <u>(3,918)</u>      | <u>346,141</u>                    | <u>1,685,878</u>                  | <u>2,028,101</u>    |
| Net assets - December 31, 2017                     | <u>\$ 278,714</u>   | <u>\$ 132,394</u>                 | <u>\$ 2,098,246</u>               | <u>\$ 2,509,354</u> |

The accompanying notes are an integral part of these financial statements.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSE**

**YEAR ENDED DECEMBER 31, 2017**

|                             | General           | Education & Literacy | Health & Wellness | Economic Development | Sustainable Environment | Social Mobilization | Other Program Services | Total Program Services | Management and General | Fundraising       | Organizational Total |
|-----------------------------|-------------------|----------------------|-------------------|----------------------|-------------------------|---------------------|------------------------|------------------------|------------------------|-------------------|----------------------|
| Program services and grants | \$ 256,898        | \$ 426,609           | \$ 385,403        | \$ 121,969           | \$ 33,249               | \$ 37,890           | \$ 284,334             | \$ 1,546,352           | \$ -                   | \$ -              | \$ 1,546,352         |
| Benefits                    | -                 | -                    | -                 | -                    | -                       | -                   | 2,320                  | 2,320                  | 775                    | 1,454             | 4,549                |
| Payroll taxes               | -                 | -                    | -                 | -                    | -                       | -                   | 6,226                  | 6,226                  | 2,078                  | 3,901             | 12,205               |
| Salaries and Wages          | -                 | -                    | -                 | -                    | -                       | -                   | 79,172                 | 79,172                 | 26,433                 | 49,608            | 155,213              |
| Community Outreach          | -                 | -                    | -                 | -                    | -                       | -                   | 24,798                 | 24,798                 | -                      | 24,798            | 49,596               |
| Special events              | -                 | -                    | -                 | -                    | -                       | -                   | 92,910                 | 92,910                 | -                      | 92,910            | 185,820              |
| Miscellaneous               | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 2,242                  | -                 | 2,242                |
| Postage and printing        | -                 | -                    | -                 | -                    | -                       | -                   | 1,817                  | 1,817                  | 1,817                  | 33,488            | 37,122               |
| Occupancy                   | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 9,504                  | 9,503             | 19,007               |
| Bank charges                | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 10,375                 | 10,375            | 20,750               |
| Conferences and meetings    | -                 | -                    | -                 | -                    | -                       | -                   | 3,380                  | 3,380                  | -                      | 3,380             | 6,760                |
| Dues and subscriptions      | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 4,440                  | -                 | 4,440                |
| Insurance                   | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 1,813                  | 1,813             | 3,626                |
| Office equipment leases     | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 4,200                  | -                 | 4,200                |
| Office supplies             | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 4,708                  | -                 | 4,708                |
| Outside services            | -                 | -                    | -                 | -                    | -                       | -                   | 28,429                 | 28,429                 | 44,126                 | -                 | 72,555               |
| Technology                  | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 4,620                  | 6,155             | 10,775               |
| Telephone                   | -                 | -                    | -                 | -                    | -                       | -                   | -                      | -                      | 1,905                  | 1,905             | 3,810                |
| Travel                      | -                 | -                    | -                 | -                    | -                       | -                   | 5,197                  | 5,197                  | 5,197                  | -                 | 10,394               |
| <b>Total expense</b>        | <b>\$ 256,898</b> | <b>\$ 426,609</b>    | <b>\$ 385,403</b> | <b>\$ 121,969</b>    | <b>\$ 33,249</b>        | <b>\$ 37,890</b>    | <b>\$ 528,583</b>      | <b>\$ 1,790,601</b>    | <b>\$ 124,233</b>      | <b>\$ 239,290</b> | <b>\$ 2,154,124</b>  |

The accompanying notes are an integral part of these financial statements.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2017**

**INCREASE <DECREASE> IN CASH:**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|   |    |           |
|---|----|-----------|
| Change in net assets  | \$ | 481,253   |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |    |           |
| Net unrealized (gains)/losses on investments  |    | (222,465) |
| Change in prepaid expense   |    | 468       |
| Change in accounts payable and accrued expense  |    | 10,797    |

**Net Cash Provided by Operating Activities**

270,053

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                    |    |                  |
|------------------------------------|----|------------------|
| Proceeds from sales of investments | \$ | 10,497           |
| Purchases of investments           |    | <u>(125,741)</u> |

**Net Cash (Used in) Investing Activities**

(115,244)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

-

**NET INCREASE (DECREASE) IN CASH**

\$ 154,809

**CASH - BEGINNING OF THE YEAR**

599,546

**CASH - END OF THE YEAR**

\$ 754,355

The accompanying notes are an integral part of these financial statements.



**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**NATURE OF ORGANIZATION**

The Human Development Foundation of North America (“HDFNA”) is a non-profit corporation organized under the laws of the State of Illinois in 1997. The primary purposes of HDFNA are to undertake and carry out humanitarian relief, promote mass literacy among people who do not have access to educational facilities, to provide preventative health care and to raise the standard of living of the underprivileged.

The primary activity in the United States is to raise funds with which to carry out the above program activities in Pakistan through an affiliated foundation, The Human Development Foundation of Pakistan (“HDFP”). HDFP is organized under the laws of its sovereignty limited by guarantee, but has influence but not control from HDFNA through certain common directors.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation**

Financial statement presentation follows current accounting standards. Under those standards, the Organization is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management’s discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Organization had \$132,392 in temporarily and \$2,098,245 in permanently restricted net assets at December 31, 2017.

**Restricted and Unrestricted Revenue**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are included in unrestricted support. Temporarily restricted contributions from prior periods whose restrictions are met are reclassified to unrestricted net assets and reported in the statement of activities as temporarily restricted net assets released from restrictions.

***THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA***

***NOTES TO FINANCIAL STATEMENTS***

***DECEMBER 31, 2017***

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional fiscal year ending December 31, 2017.

**Donated Services**

A substantial number of unpaid volunteers have made significant contributions of their time to develop The Human Development Foundation of North America programs. Their contributions include planning various special fundraising events.

The Human Development Foundation of North America does not track volunteer hours. These services have not otherwise been included in the financial statements, as they do not meet the criteria established by current accounting standards for recording donated services.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash included cash in bank and money market accounts amounted to \$754,355.

**Financial Statement Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statement of Functional Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to programs; scholarships; general and administrative expense; and fund raising. Expenses related to more than one function are charged on pro-rata basis as estimated by management. Salaries and benefits are allocated on the percentage of time that the individual spends working on a given area. The allocation is done as a percentage of hours dedicated to an area to the total amount of the hours the staff member works. Certain expenses are allocated based on their usage. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for charitable contribution deductions under Section 170(b)(1)(iii) and has been classified as an organization that is not a private foundation under Section 509(a)(1). All required payroll tax filings through December 31, 2017 have been filed by the Organization. The Organization has filed its US Form 990 and Illinois AG 990 IL through December 31, 2016, with the current year return (2017) on a filed extension through November 15, 2018.

Long Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Fair value is based on market quotes, if available, or is based on valuation techniques. There were no impairment losses recognized during the year ended December 31, 2017.

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is not involved in any venture which, in its opinion, is subject to tax on unrelated business income. Accordingly, the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. HDFNA has adopted the revised provisions of current accounting standards relating to uncertain tax positions. These standards require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing any tax returns to determine whether the income tax positions taken meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitation for federal and state purposes.

The Organization's federal Exempt Organization Returns for the years ending December 31, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed. Any years prior to January 1, 2014 are therefore considered closed. The tax return for the year ended December 31, 2017 is due by November 15, 2018.

Investments in Securities and Related Income, Gains and Losses

Investments in marketable securities with readily determinable fair values are reported at their fair value and classified as current even though there were no plans or intentions of disposing of any particular security at December 31, 2017. Investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investments balances and the amounts reported in financial statements. Interest and dividend income from securities and realized and unrealized gains and losses are reported as based up donor restrictions.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**DATE OF MANAGEMENT REVIEW**

The Organization has reviewed subsequent events through and including November 12, 2018 which is the first date the financial statements were available for distribution.

**PROPERTY AND EQUIPMENT**

Purchased property and equipment are recorded at cost, and are subject to capitalization when the expenditures are \$3,000 or more. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method, over periods of 5 to 15 years. All property and equipment at December 31, 2017 was fully depreciated.

Property and equipment at December 31, 2017 consist of the following:

|  |    |                 |
|--|----|-----------------|
| Office equipment, furniture and fixtures | \$ | 17,689          |
| Computer equipment                       |    | <u>14,410</u>   |
| Net property and equipment at cost       | \$ | 32,099          |
| Less: accumulated depreciation           |    | <u>(32,099)</u> |
| Net property and equipment               | \$ | <u><u>-</u></u> |

**INVESTMENTS**

The Fair Value Measurement and Disclosure topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available. The value of HDFNA's assets and liabilities which are required to be carried at fair value are valued at quoted prices in active markets for identical assets and liabilities and are, therefore, considered Level 1 assets and liabilities.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**INVESTMENTS (continued)**

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. Investments at December 31, 2017 consist of the following:

| Permanently Restricted Financial Assets: | Fair Value          | Quoted Market<br>Prices (Level 1) |
|--|---------------------|-----------------------------------|
| Investments, at fair value:              |                     |                                   |
| US Treasuries                            | \$ 28,750           | \$ 28,750                         |
| Corporate Bonds                          | 15,497              | 15,497                            |
| Equities                                 | 24,099              | 24,099                            |
| Bond Funds                               | 111,351             | 111,351                           |
| Equity Funds                             | 290,597             | 290,597                           |
| Other Assets                             | 1,300,688           | 1,300,688                         |
|  | <u>\$ 1,770,982</u> | <u>\$ 1,770,982</u>               |

The following schedule summarizes investment return in the statement of activities for the year ended December 31, 2017.

|                             |                   |
|-----------------------------|-------------------|
| Interest and dividends      | \$ 60,970         |
| Net realized gain/(loss)    | 7,319             |
| Net unrealized gain/(loss)  | 225,266           |
| Broker fees and other costs | (10,120)          |
|                             | <u>\$ 283,435</u> |

**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 are available for the following purposes:

|                        |                   |
|------------------------|-------------------|
| Education and literacy | \$ 14,186         |
| Health and wellness    | 84,508            |
| Economic development   | 2,840             |
| Social mobilization    | 160               |
| Other program services | 30,700            |
|                        | <u>\$ 132,394</u> |

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are donor-restricted and considered an endowment for the continuity of HDFNA. The endowment consists of gifts received from donors with the stipulation that the principal be invested and the income used for the general purposes of HDFNA. HDFNA has invested its excess liquidity in money market funds and a broadly diversified range of marketable equity securities, including companies listed on other U.S. and foreign exchanges. Typically, no single security holding is significant to its financial position and no investment sector is greater than 20% of all securities held. The entire amount of investments was classified as permanently restricted net assets. As of December 31, 2017 the fair market value of investments was \$1,770,982.

**AMOUNTS RAISED AT FUNDRAISING CAMPAIGNS**

Unrestricted contributions on the statement of activities are represented net of direct fundraising campaign expenses. The table below presents gross contributions raised by HDFNA in 2017 and the reconciliation to the net amount shown on the statement of activities as of December 31, 2017.

|                            | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|----------------------------|-------------------|---------------------------|---------------------------|-------------------|
| Gross contributions        | \$ 564,596        | \$ 139,121                | \$ 20,000                 | \$ 723,717        |
| Direct Fundraising expense | 211,146           |                           |                           | 211,146           |
|                            | <u>\$ 353,450</u> | <u>\$ 139,121</u>         | <u>\$ 20,000</u>          | <u>\$ 512,571</u> |

***THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA***

***NOTES TO FINANCIAL STATEMENTS***

***DECEMBER 31, 2017***

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**CONCENTRATION OF RISK**

Substantially all of the organization's revenue during the year ended December 31, 2017 resulted from a multitude of donors. Accordingly, management believes that the Organization has no substantial concentration of risk.

The Organization maintained account balances in two depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in each institution. The Organization exceeds the FDIC insurance limit from time to time. When the FDIC insurance limits are exceeded, those amounts are deemed at risk.

HDFNA also maintains investments in cash and money market accounts at a broker who is covered by the Securities Investor Protection Corporation (SIPC). The SIPC maintains reserves which protect the investor against broker error and fraud. At times, cash and money market accounts may exceed SIPC limits.

**EMPLOYEE BENEFIT PLANS**

In 2006, HDFNA established two 403(b) plans for the benefit of its employees called the "Human Development Foundation of North America Defined Contribution Plan" and the "Human Development Foundation Tax Deferred Annuity Plan". Both have plan year ends of December 31<sup>st</sup>. Under the defined contribution plan, eligible employees receive employer contributions which match their contributions up to a maximum of 3% of their taxable income before the 403(b) deduction. Under the deferred annuity plan, eligible employees do not receive any employer contributions. HDFNA did not contribute for the year ended December 31, 2017, and is considering filing a final return thereby closing the plan.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**AFFILIATED FOUNDATION**

HDFNA transferred funds to HDFP for carrying out HDFNA's programs in Pakistan. Transferred funds consist of the following:

|                         |                     |
|-------------------------|---------------------|
| Education and literacy  | \$ 555,058          |
| Health and wellness     | 513,852             |
| Economic development    | 121,969             |
| Sustainable environment | 33,249              |
| Social mobilization     | 37,890              |
| Other program services  | 284,334             |
|                         | <u>\$ 1,546,352</u> |

**FACILITY LEASE**

The organization currently leases one facility located in Rolling Meadows, Illinois which serves as the Organization's administrative office. Additionally, the Organization may from time to time, rent sites for its specific fundraising activities. The headquarters facility is leased from an unrelated third party. Commencing February 1, 2016 the Organization entered into a new lease for the period of February 1, 2016 through and including April 30, 2021. The scheduled facility lease payments for the duration of the lease subsequent to the year ending December 31, 2017 are as follows:

Year ended December 31:

|       |                  |
|-------|------------------|
| 2018  | 21,319           |
| 2019  | 21,955           |
| 2020  | 22,628           |
| 2021  | 7,615            |
| Total | <u>\$ 73,517</u> |



***THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA***

***NOTES TO FINANCIAL STATEMENTS***

***DECEMBER 31, 2017***

**ENDOWMENT**

HDFNA's endowment consists of one or more separate funds established for a variety of purposes. The endowment includes permanent endowments only. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) lists standards in which HDFNA is to manage and invest endowment funds, which are subject to the intent of a donor and the charitable purpose of HDFNA. The Board of Trustees of HDFNA endowment fund has interpreted the intent of this law to preserve gifts to endowment funds. As a result of this interpretation, HDFNA classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HDFNA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, HDFNA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the general purposes of the organization and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (6) other resources of HDFNA, (7) the investment policies of HDFNA.

**Spending Policies**

The Trustees of HDFNA endowment fund shall use the income derived from the endowment funds for funding one or more programs to transform the lives of residents of poor communities. The Trustees may, in their absolute discretion, pay any amount or amounts of the income of the endowment funds, at such time or times, and in such a manner as the Trustees, in their absolute discretion, shall determine to or for the benefit of the programs herein described previously. In previous years the endowment loaned funds to fund operations with the consent of donors with the stipulation that those loans were to be repaid. There is an "inter-fund" payable and receivable amounting to \$93,023 which has been eliminated in these financial statements. No payments were made during 2017.

The endowment funds of HDFNA are donor-restricted endowment funds.

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

Endowment net assets composition by type and changes in endowment net assets for the year end December 31, 2017 is as follows:

|                                 | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---------------------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets, beginning | \$ -                      | \$ 1,685,878              | \$ 1,685,878        |
| Contributions                   | -                         | 181,230                   | 181,230             |
| Investment income               | 60,970                    |                           | 60,970              |
| Net appreciation/(depreciation) | 222,465                   |                           | 222,465             |
|                                 | <u>\$ 283,435</u>         | <u>\$ 1,867,108</u>       | <u>\$ 2,150,543</u> |

**THE HUMAN DEVELOPMENT FOUNDATION OF NORTH AMERICA**

**SCHEDULE OF CHANGE IN FUND BALANCES**

**YEAR ENDED DECEMBER 31, 2017**

|                                   | General Fund        |                   | Education & Literacy |                  | Health & Wellness  |                  | Economic Development |              | Sustainable Environment |              | Social Mobilization |              | NON AOP Projects   | Organizational Total |
|-----------------------------------|---------------------|-------------------|----------------------|------------------|--------------------|------------------|----------------------|--------------|-------------------------|--------------|---------------------|--------------|--------------------|----------------------|
|                                   | Restricted          | Unrestricted      | Restricted           | Unrestricted     | Restricted         | Unrestricted     | Restricted           | Unrestricted | Restricted              | Unrestricted | Restricted          | Unrestricted | Restricted         |                      |
| <b>Receipts</b>                   |                     |                   |                      |                  |                    |                  |                      |              |                         |              |                     |              |                    |                      |
| Contributions                     | \$ -                | \$ 1,173,434      | \$ 197,284           | \$ 42,148        | \$ 347,342         | \$ 8,369         | \$ 77,980            | \$ -         | \$ 29,649               | \$ -         | \$ 37,166           | \$ -         | \$ 255,978         | \$ 2,169,350         |
| Endowments                        | 5,000               | -                 | 176,230              | -                | -                  | -                | -                    | -            | -                       | -            | -                   | -            | -                  | 181,230              |
| Investment Income                 | 259,093             | 1,363             | 24,342               | -                | -                  | -                | -                    | -            | -                       | -            | -                   | -            | -                  | 284,798              |
| <b>Gross Income</b>               | <b>264,093</b>      | <b>1,174,797</b>  | <b>397,856</b>       | <b>42,148</b>    | <b>347,342</b>     | <b>8,369</b>     | <b>77,980</b>        | <b>-</b>     | <b>29,649</b>           | <b>-</b>     | <b>37,166</b>       | <b>-</b>     | <b>255,978</b>     | <b>2,635,378</b>     |
| <b>Disbursements</b>              |                     |                   |                      |                  |                    |                  |                      |              |                         |              |                     |              |                    |                      |
| Program services and grants       | \$ -                | \$ 529,291        | \$ 383,786           | \$ 42,823        | \$ 421,064         | \$ 8,329         | \$ 77,980            | \$ -         | \$ 33,249               | \$ -         | \$ 37,890           | \$ -         | \$ 284,334         | \$ 1,818,745         |
| Outreach & Fundraising            | -                   | 211,146           | -                    | -                | -                  | -                | -                    | -            | -                       | -            | -                   | -            | -                  | 211,146              |
| Management & General              | -                   | 124,233           | -                    | -                | -                  | -                | -                    | -            | -                       | -            | -                   | -            | -                  | 124,233              |
| <b>Gross Expenses</b>             | <b>\$ -</b>         | <b>\$ 864,670</b> | <b>\$ 383,786</b>    | <b>\$ 42,823</b> | <b>\$ 421,064</b>  | <b>\$ 8,329</b>  | <b>\$ 77,980</b>     | <b>\$ -</b>  | <b>\$ 33,249</b>        | <b>\$ -</b>  | <b>\$ 37,890</b>    | <b>\$ -</b>  | <b>\$ 284,334</b>  | <b>\$ 2,154,124</b>  |
| <b>Beginning Fund Balance</b>     | <b>\$ 1,402,958</b> | <b>\$ (3,918)</b> | <b>\$ 282,920</b>    | <b>\$ 53,344</b> | <b>\$ 229,938</b>  | <b>\$ 17,584</b> | <b>\$ 51</b>         | <b>\$ -</b>  | <b>\$ 3,600</b>         | <b>\$ -</b>  | <b>\$ 724</b>       | <b>\$ -</b>  | <b>\$ 40,900</b>   | <b>\$ 2,028,101</b>  |
| <b>Ending Fund Balance</b>        | <b>\$ 1,667,051</b> | <b>\$ 306,208</b> | <b>\$ 296,990</b>    | <b>\$ 52,669</b> | <b>\$ 156,217</b>  | <b>\$ 17,625</b> | <b>\$ 51</b>         | <b>\$ -</b>  | <b>\$ -</b>             | <b>\$ -</b>  | <b>\$ -</b>         | <b>\$ -</b>  | <b>\$ 12,544</b>   | <b>\$ 2,509,534</b>  |
| <b>Net Change in Fund Balance</b> | <b>\$ 264,093</b>   | <b>\$ 310,126</b> | <b>\$ 14,070</b>     | <b>\$ (675)</b>  | <b>\$ (73,721)</b> | <b>\$ 41</b>     | <b>\$ -</b>          | <b>\$ -</b>  | <b>\$ (3,600)</b>       | <b>\$ -</b>  | <b>\$ (724)</b>     | <b>\$ -</b>  | <b>\$ (28,356)</b> | <b>\$ 481,433</b>    |