

FRIENDS WITHOUT A BORDER

FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Comparative Totals for 2015)

(With Report of Independent Auditor)

FRIENDS WITHOUT A BORDER

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John W. Davis, CPA
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends Without A Border
New York, NY

Report on the Financial Statements

I have audited the accompanying financial statements of **Friends Without A Border** which comprise of the statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses 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 statement 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 audits 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 judgement, 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 the 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 **Friends Without A Border** as of December 31, 2016 and the results of its operations and its cash flows for the year ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the financial statements of **Friends Without A Border** as of December 31, 2015 and expressed an unmodified audit opinion on those audited financial statements in my report dated June 20, 2016. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Linden, NJ
June 15, 2017

FRIENDS WITHOUT A BORDER**Statement of Financial Position**

For The Year Ended December 31, 2016

(With comparative totals for 2015)

| | 2016 | 2015 |
|--|-------------------------|-------------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 182,202 | \$ 333,992 |
| Pledges receivable - Note 4 | 238,607 | 588,792 |
| Other receivables | 121,124 | 158,972 |
| Prepaid expenses | 15,238 | 5,949 |
| Inventory - prints, catalogs etc. | 115,439 | 112,024 |
| Fixed assets - net - Note 5 | 1,592,488 | 1,530,137 |
| Security deposit | 11,600 | 8,750 |
| Total assets | <u>\$ 2,276,698</u> | <u>\$ 2,738,616</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>Liabilities</u> | | |
| Accrued expenses payable | \$ 81,456 | \$ 121,052 |
| Commitment – Note 6 | | |
| <u>Net assets</u> | | |
| Unrestricted | 432,064 | 713,873 |
| Unrestricted - fixed assets | 1,592,488 | 1,530,137 |
| Total unrestricted net assets | 2,024,552 | 2,244,010 |
| Temporarily restricted net assets - Note 7 | 170,690 | 373,554 |
| Total net assets | <u>2,195,242</u> | <u>2,617,564</u> |
| Total liabilities and net assets | <u>\$ 2,276,698</u> | <u>\$ 2,738,616</u> |

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2016
(With comparative totals for 2015)

| | Unrestricted | Temporarily restricted | 2016 Total | 2015 Total |
|---------------------------------------|--------------|---------------------------|---------------|---------------|
| REVENUE | | | | |
| Contributions | \$ 1,163,655 | \$ 415,627 | \$ 1,579,282 | \$ 2,452,625 |
| Special events | 557,704 | | 557,704 | 594,955 |
| Less: direct expenses | (214,619) | | (214,619) | (222,311) |
| Patient income, fees, etc. | 4,045 | | 4,045 | |
| Sales | 16,817 | | 16,817 | 37,488 |
| Collection boxes | 6,102 | | 6,102 | 4,131 |
| Investment income | 1,391 | | 1,391 | 1,477 |
| Other | 1,879 | | 1,879 | 2,284 |
| | 1,536,974 | 415,627 | 1,952,601 | 2,870,649 |
| Net assets released from restrictions | 618,491 | (618,491) | | |
| Total revenue | 2,155,465 | (202,864) | 1,952,601 | 2,870,649 |
| EXPENSES | | | | |
| Program services | | | | |
| Hospital support | 316,609 | | 316,609 | 361,395 |
| LFHC | 1,520,460 | | 1,520,460 | 1,269,275 |
| Program development | 31,981 | | 31,981 | 17,209 |
| Total program services | 1,869,050 | | 1,869,050 | 1,647,879 |
| Supporting services | | | | |
| Management and general | 328,059 | | 328,059 | 267,946 |
| Fund raising | 177,814 | | 177,814 | 137,654 |
| Total supporting services | 505,873 | | 505,873 | 405,600 |
| Total expenses | 2,374,923 | | 2,374,923 | 2,053,479 |
| Change in net assets | (219,458) | (202,864) | (422,322) | 817,170 |
| Net assets at beginning of year | 2,244,010 | 373,554 | 2,617,564 | 1,800,394 |
| Net assets at end of year | \$ 2,024,552 | \$ 170,690 | \$ 2,195,242 | \$ 2,617,564 |

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER
Statement of Functional Expenses
For The Year Ended December 31, 2016
(With comparative totals for 2015)

| | Program services | | | Supporting services | | | Total | Total | Total |
|------------------------------------|-------------------|------------------|---------------------|------------------------|----------------|----------------|------------------|---------------------|---------|
| | Hospital Support | LFHC | Program Development | Management And General | Fund-Raising | Total | | | |
| Salaries and fringe benefits | \$ 2,440 | 928,575 | 3,846 | 97,891 | 131,625 | 229,516 | 1,164,377 | \$ | 850,559 |
| Professional service | | | | 50,835 | 1,625 | 52,460 | 52,460 | | 54,199 |
| Consultants & contractual services | | 39,049 | | 80 | 5,090 | 5,170 | 44,219 | | 103,415 |
| Medical supplies | | 220,671 | | | 3,359 | 3,359 | 224,030 | | 146,732 |
| Office supplies and expenses | | 17,366 | | 1,222 | 1,346 | 2,568 | 19,934 | | 49,513 |
| Equipment purchase | | 103,204 | | 6,285 | 356 | 6,641 | 109,845 | | 85,744 |
| Postage and shipping | | 34,121 | | 6,763 | 5,923 | 12,686 | 46,807 | | 32,412 |
| Printing | | 2,988 | | 4,311 | 10,934 | 15,245 | 18,233 | | 19,924 |
| Telecommunication | | 6,476 | | 3,833 | 1,208 | 5,041 | 11,517 | | 17,925 |
| Travel | | 44,501 | 23,919 | 1,187 | 2,696 | 3,883 | 72,303 | | 71,272 |
| Patient care | | 24,296 | | | | | 24,296 | | 9,210 |
| Advertising /promotions | | 11,717 | | | 12,273 | 12,273 | 23,990 | | 58,420 |
| Vehicle expenses | | 6,945 | | | | | 6,945 | | 13,459 |
| Occupancy | | 40,933 | | 38,091 | | 38,091 | 79,024 | | 84,714 |
| Insurance | | 4,491 | | 5,699 | | 5,699 | 10,190 | | 11,693 |
| Training | | 10,470 | | | | | 10,470 | | 5,884 |
| Grant awards | 314,169 | | | | | | 314,169 | | 366,198 |
| Depreciation & amortization | | | | 111,436 | | 111,436 | 111,436 | | 48,975 |
| Miscellaneous | | 24,657 | 4,216 | 426 | 1,379 | 1,805 | 30,678 | | 23,231 |
| Total Expenditures | \$ 316,609 | 1,520,460 | 31,981 | 328,059 | 177,814 | 505,873 | 2,374,923 | \$ 2,053,479 | |

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER**Statement of Cash Flows**

For The Year Ended December 31, 2016

(With comparative totals for 2015)

| | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities | | |
| Change in net assets | (\$ 422,322) | \$ 817,170 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | (111,436) | 48,975 |
| Decrease (increase) in operating assets: | | |
| Grants and contributions receivable | 350,185 | (351,619) |
| Inventory - prints, catalogs etc. | (3,415) | (12,859) |
| Prepaid expenses | (9,289) | 8,921 |
| Other receivables | 37,848 | (114,211) |
| Security deposits | (2,850) | |
| Increase (decrease) in operating activities: | | |
| Accrued expenses payable | (39,596) | 40,747 |
| Other liabilities | | |
| Net cash provided by operating activities | <u>(200,875)</u> | <u>437,124</u> |
| Cash flows from investing activities | | |
| Fixed assets transfer | | |
| Fixed assets acquisitions | 49,085 | (743,334) |
| Investments | | |
| Net cash used in investing activities | <u>49,085</u> | <u>(743,334)</u> |
| Net (decrease) in cash and cash equivalents | (151,790) | (306,210) |
| Cash and cash equivalents at beginning of year | <u>333,992</u> | <u>640,202</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 182,202</u></u> | <u><u>\$ 333,992</u></u> |

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

December 31, 2016

NOTE 1 ORGANIZATION

Friends Without A Border ("Friends") is a not-for-profit organization established in 1996 under the laws of the State of New York and sections 501(a) and 501(c)(3) of the Internal Revenue Code. Friends believes every child has the right to a healthy and loving life. Friends accomplishes this by providing high-quality and compassionate medical care to the children of Southeast Asia; by creating community health education programs; and by training local healthcare professionals.

In 1999, Friends built and opened Angkor Hospital for Children (AHC) in Siem Reap, Cambodia. The mission of AHC is to provide high quality and free pediatric medical care to Cambodian children; to work with the Cambodian Ministry of Health to strengthen Cambodia's healthcare system through the training of doctors, nurses and health workers; and to play a central role in improving public health for all children.

In January of 2013, Friends transferred management and ownership of the hospital to the Cambodian staff of AHC and a newly established NGO called AHC International. Transfer of management to an all-Cambodian staff was a goal for AHC from the beginning, and was a much celebrated event. Friends continues to help support AHC with their fundraising goals.

In 2013, Friends launched a new initiative, Lao Friends Hospital for Children (LFHC), in collaboration with the Luang Prabang Provincial Health Department and Hospital. LFHC was inaugurated on February 11, 2015 on the campus of the Luang Prabang Provincial Hospital. Initially opened with Outpatient service, Laboratory, Pharmacy, lecture rooms, medical library, kitchen and laundry for families visiting the hospital, LFHC began 24-bed Inpatient, Emergency Room, Digital Imaging, and Homecare services in 2015. Operation Theater and Neonatal Unit opened in late 2016. Utilizing the same successful model of "Treatment + Education + Prevention" achieved at AHC, Friends also implemented Outreach Programs to teach children and families health promotion and disease prevention practices, in partnership with other international NGOs working in the region.

Friends also supports the efforts of The Lake Clinic in Cambodia, which provides basic health care and medical referrals to the floating villages on the Tonle Sap Lake, a severely under-served region of Cambodia. Launched by the founding Executive Director of AHC, The Lake Clinic is an extension of Friends' commitment to serve overlooked and impoverished children and their families in Asia.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles. The following is a summary of the significant accounting policies followed by Friends:

Method of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial statement presentation

The Organization's financial statements adhere to the established standards for external financial statements provided by not-for-profit organizations which require that resources be classified for accounting and reporting purposes into three classes of net assets – permanently restricted, temporarily restricted and unrestricted.

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

December 31, 2016

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for doubtful accounts

Management has determined that no allowance for uncollectible accounts for pledge receivable or accrued receivable is necessary as of December 31, 2014. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Fixed assets

Buildings, building improvements, leasehold improvements, vehicles, furniture and equipments are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

| | <u>Estimated Life</u> |
|--------------------------------|-----------------------|
| Buildings | 40 years |
| Building improvements | 10 years |
| Leasehold improvements | related lease term |
| Vehicles | 5 years |
| Medical equipment | 7 years |
| Office furniture and equipment | 5 years |

Revenue recognition

The Organization's revenue relating to contributions received, including unconditional promises to give, is recognized as revenue in the period received at its fair values. The Organization distinguishes contributions received for each net asset category in accordance with any donor-imposed restrictions.

Functional expenses

Friends allocates its expenses on a functional basis among its programs. Expenses that can be identified with a specific program are charged directly to the particular program according to their natural expense classification.

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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Uncertainty in income taxes

Friends is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Subsequent events

Friends evaluated its December 31, 2016 financial statements for subsequent events through June 20, 2017, the date the financial statements were available to be issued. Friends is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

December 31, 2016

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that could potentially subject Friends to concentration of credit risk consist of cash deposited in financial institutions outside of the United States of America. As of December 31, 2016, cash totaling \$55,436 was deposited in foreign institutions.

NOTE 4 PLEDGES RECEIVABLE

| | |
|--|-------------------|
| Yollanda Cheung Li & R. Christopher Li | \$ 20,000 |
| World of Children Award | 15,185 |
| TEAM Grant (World Education Laos – subcontract from USAID) | 132,638 |
| Frederick Hessler | 5,000 |
| Stamos Capital Partners | 25,000 |
| Raymond & Raymond, LTD | 7,000 |
| Various contribution less than \$5,000 | <u>33,784</u> |
| Total pledges receivable | <u>\$ 238,607</u> |

NOTE 5 FIXED ASSETS

| | |
|--------------------------------------|---------------------|
| LFHC building | \$ 1,091,950 |
| Friends visitor center | 24,022 |
| Office equipment, vehicle, furniture | 105,589 |
| Medical equipment | 531,338 |
| Leasehold Improvement (NY office) | <u>6,901</u> |
| | 1,759,800 |
| Less: accumulated depreciation | <u>(167,312)</u> |
| Total fixed assets | <u>\$ 1,592,488</u> |

NOTE 6 COMMITMENT

The current lease for the New York office will expire on April 30, 2019. Total rent expense for the year ended December 31, 2016 was \$34,533.

Future minimum lease payment under this operating lease at December 31, 2016 are as follows:

| <u>Year Ending December 31</u> | |
|--------------------------------|-------------------|
| 2017 | \$ 44,680 |
| 2018 | 46,024 |
| 2019 | <u>15,492</u> |
| Total | <u>\$ 106,196</u> |

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

December 31, 2016

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

| | Balance 12/31/2015 | FY16 Contributions | FY16 Releases | Balance 12/31/2016 |
|--|-----------------------|-----------------------|------------------|-----------------------|
| Restricted for AHC | | | | |
| Edward E. Stone Foundation | \$ | \$ 35,000 | \$ (35,000) | \$ |
| Pua Foundation | | 25,000 | (25,000) | |
| The Marshall Family Foundation Inc. | | 10,000 | (10,000) | |
| Leon Blackmore Foundation | | 7,609 | (7,609) | |
| Turner & Desfosses | | 5,568 | (5,568) | |
| Frederick Hessler | | 5,000 | (5,000) | |
| Others | | 65,685 | (65,685) | |
| Restricted for TLC | | | | |
| Denis J. Martin | | 100,000 | (100,000) | |
| Robert Ellis | | 20,000 | (20,000) | |
| Edgar H. Bachrach / Build Cambodia, Inc. | | 10,000 | (10,000) | |
| Mark Brady | | 7,000 | (7,000) | |
| Varun Kumar | | 5,000 | (5,000) | |
| Others | 7,558 | 10,739 | (18,297) | |
| Restricted for LFHC | | | | |
| Yollanda Cheung Li & R. Christopher Li | 40,000 | | (20,000) | 20,000 |
| Suzanne Brown | | 10,000 | (4,805) | 5,195 |
| Nam Chan Lu | | 25,265 | (25,265) | |
| Ptarmigan Charitable Foundation | | 8,475 | (4,732) | 3,743 |
| Marily Mearns | | 7,609 | | 7,609 |
| World of Children Award | 59,055 | | (30,847) | 28,208 |
| TEAM Grant (World Education Laos – subcontract from USAID) | 266,941 | 57,677 | (218,683) | 105,935 |
| Total temporarily restricted net assets | \$ 373,554 | \$ 415,627 | \$ (618,491) | \$ 170,690 |