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**THE FISTULA FOUNDATION**

Financial Statements

December 31, 2014 and 2013

and

Independent Auditors' Report

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**THE FISTULA FOUNDATION**

**December 31, 2014 and 2013**

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To the Board of Directors  
Fistula Foundation  
San Jose, CA

We have audited the accompanying financial statements of Fistula Foundation (a tax-exempt organization), which comprise the statements of financial position as of December 31, 2014 and December 31, 2013, and the related statements of activities, functional expenses and cash flows for the years 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 Fistula Foundation as of December 31, 2014 and December 31, 2013, and the change in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



Delagnes, Mitchell & Linder, LLP

San Francisco, CA  
April 12, 2015

**THE FISTULA FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

**ASSETS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Current assets:		
Cash (primarily interest bearing accounts)	\$ 1,950,494	\$ 1,226,605
Contributions receivable	951,534	388,163
Accrued interest on investments	12,129	16,247
Prepays and deposits	<u>34,851</u>	<u>32,243</u>
Total current assets	2,949,008	1,663,258
Noncurrent investments	5,466,450	5,781,540
Property and Equipment:		
Property and equipment, net of accumulated depreciation	<u>24,020</u>	<u>30,085</u>
Total assets	<b><u>\$ 8,439,478</u></b>	<b><u>\$ 7,474,883</u></b>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and other accrued expenses	\$ 120,703	\$ 51,451
Grants payable	<u>3,468,903</u>	<u>2,105,623</u>
Total liabilities	3,589,606	2,157,074
Net Assets:		
Unrestricted net assets		
Undesignated	4,300,492	4,277,616
Board designated - Hamlin Fistula Hospital	<u>-</u>	<u>788,536</u>
Total unrestricted	4,300,492	5,066,152
Temporarily restricted assets	517,225	219,502
Permanently restricted assets	<u>32,155</u>	<u>32,155</u>
Total net assets	<u>4,849,872</u>	<u>5,317,809</u>
Total liabilities and net assets	<b><u>\$ 8,439,478</u></b>	<b><u>\$ 7,474,883</u></b>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2014 and 2013**

	.....2014.....				.....2013.....			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and support:</b>								
Contributions	\$ 5,833,669	795,979	-	6,629,648	\$ 5,231,478	835,451	-	6,066,929
Net Investment income (loss)	246,398		-	246,398	357,470		-	357,470
Net assets released from restriction for purpose	<u>498,256</u>	<u>(498,256)</u>	<u>-</u>	<u>-</u>	<u>644,936</u>	<u>(644,936)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and support</b>	<u><b>6,578,323</b></u>	<u><b>297,723</b></u>	<u><b>-</b></u>	<u><b>6,876,046</b></u>	<u><b>6,233,884</b></u>	<u><b>190,515</b></u>	<u><b>-</b></u>	<u><b>6,424,399</b></u>
<b>Expenses:</b>								
Program services	6,181,315	-	-	6,181,315	4,871,403	-	-	4,871,403
Management and general	494,460	-	-	494,460	432,289	-	-	432,289
Fundraising expense	<u>668,208</u>	<u>-</u>	<u>-</u>	<u>668,208</u>	<u>496,576</u>	<u>-</u>	<u>-</u>	<u>496,576</u>
<b>Total expenses</b>	<u><b>7,343,983</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>7,343,983</b></u>	<u><b>5,800,268</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>5,800,268</b></u>
 Change in net assets	 (765,660)	 297,723	 -	 (467,937)	 433,616	 190,515	 -	 624,131
Net assets at beginning of year	<u>5,066,152</u>	<u>219,502</u>	<u>32,155</u>	<u>5,317,809</u>	<u>4,632,536</u>	<u>28,987</u>	<u>32,155</u>	<u>4,693,678</u>
Net assets at end of year	\$ <u><u>4,300,492</u></u>	<u><u>517,225</u></u>	<u><u>32,155</u></u>	<u><u>4,849,872</u></u>	\$ <u><u>5,066,152</u></u>	<u><u>219,502</u></u>	<u><u>32,155</u></u>	<u><u>5,317,809</u></u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statements of Cash Flows**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets from Statement of Activities	\$ (467,937)	\$ 624,131
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	13,603	12,752
Changes in operating assets and liabilities:		
Contributions receivable	(563,371)	(18,188)
Prepays, deposits and other assets	(2,608)	(3,260)
Accounts payable and other accrued expenses	<u>1,432,532</u>	<u>1,084,951</u>
Net cash provided by or (used in) operating activities	412,219	1,700,386
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(7,538)	(15,493)
Net change in investments	<u>319,208</u>	<u>(1,431,700)</u>
Net cash provided by or (used) by investing activities	<u>311,670</u>	<u>(1,447,193)</u>
Net change in cash	723,889	253,193
Cash at beginning of year	<u>1,226,605</u>	<u>973,412</u>
Cash at end of year	\$ <u><u>1,950,494</u></u>	\$ <u><u>1,226,605</u></u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2014**

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits \$	494,209	285,882	294,502	1,074,593
Grants	5,225,382	-	-	5,225,382
Awareness program	18,294	-	-	18,294
Outreach	122,848	-	-	122,848
Advertising	533	-	7,596	8,129
Bank and credit card expense	39,837	34,306	36,517	110,660
Depreciation	4,897	4,217	4,489	13,603
Dignity jewelry	-	-	25,155	25,155
Dues, licenses and registrations	6,191	5,331	5,675	17,197
Fundraising	-	-	7,945	7,945
Insurance	1,033	890	947	2,870
Miscellaneous	135	116	124	375
Postage/shipping	7,759	15,519	92,600	115,878
Printing	9,182	18,365	92,247	119,794
Professional services	63,340	54,080	62,620	180,040
Rent	16,410	14,131	15,043	45,584
Repairs and maintenance	3,286	2,829	3,012	9,127
Supplies	6,281	5,408	5,757	17,446
Telephone	2,092	1,801	1,918	5,811
Training and seminars	7,590	-	-	7,590
Software	3,902	3,902	10,900	18,704
Accounting and legal	-	46,392	-	46,392
Travel	148,114	1,291	1,161	150,566
Total	\$ <u>6,181,315</u>	<u>494,460</u>	<u>668,208</u>	<u>7,343,983</u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2013**

	<u>Program</u>	<u>General</u> <u>and</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>Management</u>		
Salaries and employee benefits	\$ 154,925	277,574	213,021	645,520
Grants	4,511,027	-	-	4,511,027
Advertising	-	-	3,302	3,302
Bank and credit card expense	20,248	36,394	27,996	84,638
Depreciation	3,060	5,483	4,209	12,752
Dignity jewelry	-	-	14,584	14,584
Fundraising	-	-	12,861	12,861
Insurance	598	1,072	822	2,492
Miscellaneous	1,794	1,572	6,108	9,474
Postage/shipping	7,759	15,519	54,318	77,596
Printing	9,182	18,365	64,278	91,825
Professional services	99,883	9,733	58,367	167,983
Rent	10,633	19,051	14,621	44,305
Repairs and maintenance	2,845	4,742	6,789	14,376
Supplies	795	3,971	8,413	13,179
Telephone	1,600	1,066	2,666	5,332
Software	3,902	3,902	3,904	11,708
Accounting and legal	-	33,104	-	33,104
Travel	43,152	741	317	44,210
Total	\$ <u>4,871,403</u>	<u>432,289</u>	<u>496,576</u>	<u>5,800,268</u>

see accompanying notes to the financial statements



**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**1. Nature of Activities and Summary of Significant Accounting Policies**

(a) Nature of Activities

The Fistula Foundation (Foundation), formerly called “American Friends Foundation for Childbirth Injuries,” was founded in 2000 to raise awareness of and funding for fistula repair, prevention, and educational programs worldwide.

(b) Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

(c) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

(d) Temporarily restricted net assets

Temporarily restricted net assets represent contributions whose use by the Foundation is limited by donor imposed stipulations that can be fulfilled and removed by actions of the Foundation pursuant to those stipulations or by the passage of time.

(e) Cash

Cash includes depository account balances other than those held temporarily as part of the long-term investment portfolio. The accounts are insured by the FDIC up to \$250,000 in 2014 and 2013 for each bank. At December 31, 2014 and 2013, the Foundation had uninsured cash balances of \$1,700,494 and \$976,605 respectively.

(f) Donated Goods and Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**1. Nature of Activities and Summary of Significant Accounting Policies, Continued**

(f) **Donated Goods and Services (continued)**

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

(g) **Functional Allocation of Expenses**

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Foundation's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

(h) **Income Taxes**

The Foundation is exempt from paying Federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d, and contributions to it are tax deductible as prescribed by the Code.

The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

(i) **Compensated Absences**

The Foundation accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors. The accompanying financials statements include accrued personal time off (PTO) of \$ 45,308 and \$32,290 as of December 31, 2014 and 2013, respectively.

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**1. Nature of Activities and Summary of Significant Accounting Policies, Continued**

(j) Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

(k) Fair value measurements

FASB ASC 820, Fair Value Measurements, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

(k) Fair value measurements (continued)

Investments are made by the investment managers, and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation.

(l) Property and Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation of property and equipment is provided over the estimated 3 to 7 years useful lives of the respective assets on a straight-line basis.

**2. Investments**

The following represents the original cost basis, unrealized gains and (losses) and fair value of investments as of December 31, 2014 and 2013. The fair value of investments is determined based upon quoted market prices.

	<b>2014</b>		<b>2013</b>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity	\$ 659,845	840,386	349,850	479,755
Mutual Funds	1,850,363	1,875,211	2,636,995	2,684,133
Corporate bonds	701,975	577,456	849,216	835,266
Government Obligations	-	-	25,033	24,205
Municipal Bonds	113,324	133,547	410,091	425,885
Other Assets	1,620,936	1,724,780	819,228	885,713
Certificate of Deposits	236,776	211,433	176,576	176,576
MoneyMarket/Cash	<u>103,637</u>	<u>103,637</u>	<u>270,007</u>	<u>270,007</u>
<b>Total Investments</b>	<b>\$ <u>5,286,856</u></b>	<b><u>5,466,450</u></b>	<b><u>5,536,996</u></b>	<b><u>5,781,540</u></b>

The following schedule summarizes the investment returns and classifications in the Statement of Activities:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 171,316	\$ 130,639
Realized gain (loss)	( 55,333)	( 28,278)
Unrealized gain (loss)	<u>130,415</u>	<u>255,109</u>
Net investment income or (loss)	<b>\$ <u>246,398</u></b>	<b>\$ <u>357,470</u></b>

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**3. Investments at fair value hierarchy**

Assets measured at fair value on a recurring basis based on their fair value hierarchy at December 31, 2014 are as follows:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity	\$ 840,386	840,386		
Mutual Funds	1,875,211	1,875,211		
Corporate bonds	577,456	577,456		
Municipal Bonds	133,547		133,547	
Other Assets	1,724,780	1,724,780		
Certificate of Deposits	211,433	211,433		
MoneyMarket/Cash	<u>103,637</u>	<u>103,637</u>	-	-
<b>Total Investments</b>	<b>\$ <u>5,466,450</u></b>	<b><u>5,332,903</u></b>	<b><u>133,547</u></b>	<b><u>-</u></b>

**4. Property and Equipment**

Property and equipment consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Computer & equipment	\$ 37,771	\$ 30,232
Furniture and fixtures	17,619	17,619
Leasehold improvements	2,288	2,288
Software	<u>45,845</u>	<u>45,845</u>
Subtotal	103,523	95,984
Less accumulated depreciation	<u>79,503</u>	<u>65,899</u>
Total property and equipment – net of accumulated depreciation	<b>\$ <u>24,020</u></b>	<b>\$ <u>30,085</u></b>

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2014 and December 31, 2013 were restricted for the “Love A Sister” campaign in the amount of \$517,225 and \$219,502 respectively.

**6. Retirement Plan**

The Foundation maintains a deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code for all eligible employees. The Foundation may make discretionary contributions to the plan. The Foundation contributed \$48,564, and \$19,908, to the plan for the years ended December 31, 2014 and 2013, respectively.

The Foundation also maintains a deferred compensation plan for a key employee under which annual contributions of \$16,000 and \$16,000 were made for the years ended December 31, 2014 and 2013 respectively.

**7. Commitments**

The minimum rental commitments under non-cancelable leases at December 31, 2014 are summarized, as follows:

Year ending December 31,	
2016	\$ 84,000
2017	91,680
2018	94,560
2019	97,400
2020	<u>17,520</u>
	<u>\$ 385,160</u>

**8. Change in By-laws**

In 2009, the Foundation broadened their mission to permit them to support fistula treatment worldwide. At that time, the Foundation Board designated \$4,115,869 specifically for the benefit of the Hamlin Fistula Hospital, and the composition of the unrestricted net assets has been revised to reflect this designation.

During the years 2013 and 2014, the Foundation made additional grants to the Hamlin Fistula Hospital so as to reduce the board designated fund to \$0, and \$788,536 as of December 31, 2014 and 2013, respectively.

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**9. Subsequent Events**

The Foundation evaluates events that occur subsequent to the balance sheet date, but before financial statements are issued for periods ending on such balance sheet dates, for possible adjustments to such financial statements or other disclosures. This evaluation generally occurs through the date on which the Foundation's financial statements are issued. For the financials statements as of and for the year ending December 31, 2014, this date is April 12, 2015.