
THE FISTULA FOUNDATION

Financial Statements

December 31, 2016 and 2015

and

Independent Auditors' Report

THE FISTULA FOUNDATION

December 31, 2016 and 2015

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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, 2016 and December 31, 2015, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the 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, 2016 and December 31, 2015, 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
April 17, 2017

THE FISTULA FOUNDATION
Statements of Financial Position
December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash (primarily interest bearing accounts)	\$ 624,242	\$ 1,409,877
Contributions receivable	787,344	1,325,441
Accrued interest on investments	9,310	8,952
Prepays, deposits and other assets	<u>67,411</u>	<u>75,599</u>
Total current assets	1,488,307	2,819,869
Noncurrent investments	7,675,728	6,267,885
Property and Equipment:		
Property and equipment, net of accumulated depreciation	<u>16,740</u>	<u>19,275</u>
Total assets	<u>\$ 9,180,775</u>	<u>\$ 9,107,029</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	\$ 176,034	\$ 196,624
Grants payable	<u>4,532,581</u>	<u>4,426,083</u>
Total liabilities	4,708,615	4,622,707
Net Assets:		
Unrestricted net assets		
Undesignated	1,929,503	2,192,407
Board designated - Endowment Fund	530,000	-
Board designated - Hamlin Fistula Hospital	<u>-</u>	<u>788,536</u>
Total unrestricted net assets	2,459,503	2,980,943
Temporarily restricted assets	2,012,657	1,471,224
Permanently restricted assets	<u>-</u>	<u>32,155</u>
Total net assets	<u>4,472,160</u>	<u>4,484,322</u>
Total liabilities and net assets	<u>\$ 9,180,775</u>	<u>\$ 9,107,029</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statements of Activities
For the Years Ended December 31, 2016 and 2015

2016.....			2015.....			
	<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>
Revenues and support:								
Contributions	\$ 7,406,865	2,288,327	-	9,695,192	\$ 6,114,366	1,885,788	-	8,000,154
Net Investment income (loss)	439,764		-	439,764	(159,820)		-	(159,820)
Net assets released from restriction for purpose	<u>1,779,049</u>	<u>(1,746,894)</u>	<u>(32,155)</u>	<u>-</u>	<u>931,789</u>	<u>(931,789)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>9,625,678</u>	<u>541,433</u>	<u>(32,155)</u>	<u>10,134,956</u>	<u>6,886,335</u>	<u>953,999</u>	<u>-</u>	<u>7,840,334</u>
Expenses:								
Program services	8,400,510	-	-	8,400,510	6,694,201	-	-	6,694,201
Management and general	823,111	-	-	823,111	572,485	-	-	572,485
Fundraising expense	<u>923,497</u>	<u>-</u>	<u>-</u>	<u>923,497</u>	<u>939,198</u>	<u>-</u>	<u>-</u>	<u>939,198</u>
Total expenses	<u>10,147,118</u>	<u>-</u>	<u>-</u>	<u>10,147,118</u>	<u>8,205,884</u>	<u>-</u>	<u>-</u>	<u>8,205,884</u>
Change in net assets	(521,440)	541,433	(32,155)	(12,162)	(1,319,549)	953,999	-	(365,550)
Net assets at beginning of year	<u>2,980,943</u>	<u>1,471,224</u>	<u>32,155</u>	<u>4,484,322</u>	<u>4,300,492</u>	<u>517,225</u>	<u>32,155</u>	<u>4,849,872</u>
Net assets at end of year	\$ <u>2,459,503</u>	<u>2,012,657</u>	<u>-</u>	<u>4,472,160</u>	\$ <u>2,980,943</u>	<u>1,471,224</u>	<u>32,155</u>	<u>4,484,322</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statements of Cash Flows
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from Statement of Activities	\$ (12,162)	\$ (365,550)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	9,324	16,974
Changes in operating assets and liabilities:		
Contributions receivable	538,097	(377,084)
Accrued interest	(358)	3,177
Prepays, deposits and other assets	8,188	(40,748)
Accounts payable and other accrued expenses	<u>85,908</u>	<u>1,033,101</u>
Net cash provided by operating activities	628,997	269,870
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(6,789)	(12,229)
Purchase of securities	(6,584,024)	(5,123,502)
Proceeds of securities	<u>5,176,181</u>	<u>4,325,244</u>
Net cash provided by or (used) by investing activities	<u>(1,414,632)</u>	<u>(810,487)</u>
Net change in cash	(785,635)	(540,617)
Cash at beginning of year	<u>1,409,877</u>	<u>1,950,494</u>
Cash at end of year	\$ <u><u>624,242</u></u>	\$ <u><u>1,409,877</u></u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Functional Expenses
For The Year Ended December 31, 2016

	<u>Program</u> <u>Services</u>	<u>General</u> <u>and</u> <u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits \$	491,980	504,893	510,911	1,507,784
Grants	7,391,677	-	-	7,391,677
Outreach	132,151	-	-	132,151
Advertising	-	-	25,724	25,724
Bank and credit card expense	37,938	62,486	11,158	111,582
Depreciation	3,170	2,797	3,357	9,324
Dignity jewelry	-	-	12,985	12,985
Dues, licenses and registrations	10,526	9,287	11,145	30,958
Insurance	888	784	941	2,613
Miscellaneous	196	173	206	575
Postage/shipping	8,569	17,137	45,699	71,405
Printing	9,389	18,777	128,311	156,477
Professional services	141,418	57,855	112,307	311,580
Rent	33,833	29,853	35,824	99,510
Repairs and maintenance	3,745	3,305	3,965	11,015
Supplies	7,093	6,259	7,511	20,863
Telephone	2,731	2,410	2,892	8,033
Training and seminars	30,648	-	-	30,648
Software	6,850	11,131	10,561	28,542
Accounting and legal	-	87,910	-	87,910
Travel	87,708	8,054	-	95,762
	<u>87,708</u>	<u>8,054</u>	<u>-</u>	<u>95,762</u>
Total	\$ <u>8,400,510</u>	<u>823,111</u>	<u>923,497</u>	<u>10,147,118</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Functional Expenses
For The Year Ended December 31, 2015

	<u>Program</u> <u>Services</u>	<u>General</u> <u>and</u> <u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits	\$ 305,671	283,590	566,833	1,156,094
Grants	5,995,790	-	-	5,995,790
Awareness program	1,250	-	-	1,250
Outreach	76,230	-	-	76,230
Advertising	-	-	4,530	4,530
Bank and credit card expense	9,829	78,670	9,788	98,287
Depreciation	4,488	4,164	8,322	16,974
Dignity jewelry	-	-	7,651	7,651
Dues, licenses and registrations	6,191	5,331	14,785	26,307
Insurance	1,033	890	88	2,011
Miscellaneous	135	116	1,762	2,013
Postage/shipping	7,759	15,519	42,262	65,540
Printing	9,182	18,365	120,342	147,889
Professional services	102,808	26,828	107,613	237,249
Rent	22,077	20,482	40,938	83,497
Repairs and maintenance	-	33,931	2,485	36,416
Supplies	3,605	3,344	6,684	13,633
Telephone	2,092	1,801	3,388	7,281
Training and seminars	19,630	-	-	19,630
Software	3,753	3,902	1,727	9,382
Accounting and legal	-	68,482	-	68,482
Travel	122,678	7,070	-	129,748
Total	\$ <u>6,694,201</u>	<u>572,485</u>	<u>939,198</u>	<u>8,205,884</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Notes to Financial Statements
December 31, 2016 and 2015

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 2016 and 2015 for each bank. At December 31, 2016 and 2015, the Foundation had uninsured cash balances of \$347,897 and \$1,700,494 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, 2016 and 2015

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 \$ 49,003 and \$45,308 as of December 31, 2016 and 2015, respectively.

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2016 and 2015

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.

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Notes to Financial Statements
December 31, 2016 and 2015

(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, 2016 and 2015. The fair value of investments is determined based upon quoted market prices.

		2016		2015	
		<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity	\$	796,358	1,086,390	775,322	1,000,678
Mutual Funds		2,199,629	1,987,440	2,179,472	2,129,721
Corporate bonds		358,955	342,171	441,157	423,310
Municipal Bonds					
Other Assets		2,168,372	2,568,797	2,275,334	2,438,022
Certificate of Deposits		24,955	25,241	24,955	25,241
MoneyMarket/Cash		<u>1,665,803</u>	<u>1,665,803</u>	<u>250,913</u>	<u>250,913</u>
Total Investments	\$	<u>7,214,072</u>	<u>7,675,728</u>	<u>5,947,153</u>	<u>6,267,885</u>

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

		<u>2016</u>	<u>2015</u>
Interest and dividend income	\$	159,760	\$ 176,017
Realized gain (loss)		114,407	(182,309)
Unrealized gain (loss)		<u>165,597</u>	<u>(153,528)</u>
Net investment income or (loss)	\$	<u>439,764</u>	\$ <u>(159,820)</u>

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2016 and 2015

3. Investments at fair value hierarchy

Assets measured at fair value on a recurring basis based on their fair value hierarchy at December 31, 2016 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	\$ 1,086,390	1,086,390		
Mutual Funds	1,987,440	1,987,440		
Corporate bonds	342,171	342,171		
Other Assets	2,568,797	2,568,797		
Certificate of Deposits	25,241	25,241		
MoneyMarket/Cash	<u>1,665,803</u>	<u>1,665,803</u>	-	-
Total Investments	\$ <u>7,675,728</u>	<u>7,675,728</u>	-	-

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Computer & equipment	\$ 42,107	\$ 42,107
Furniture and fixtures	25,512	25,512
Leasehold improvements	2,288	2,288
Software	<u>45,845</u>	<u>45,845</u>
Subtotal	115,752	115,752
Less accumulated depreciation	<u>96,477</u>	<u>96,477</u>
Total property and equipment – net of accumulated depreciation	\$ <u>19,275</u>	\$ <u>19,275</u>

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2016 and 2015

5. Temporarily Restricted Net Assets

Support that is restricted by a grantor agency or a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Temporarily restricted net assets are as follows:

	<u>2016</u>	<u>2015</u>
Love a Sister	\$ 284,539	\$ 284,539
Fistula treatment in Zimbabwe	97,806	97,806
Fistula treatment in Chad	115,750	115,750
Fistula treatment in Nigeria	50,000	50,000
Fistula treatment in Ethiopia	84,775	84,775
Fistula treatment Bangladesh	50,000	50,000
Construction of Gynocare facility	250,000	250,000
FIGO surgeon training program	238,353	238,353
Fistula Treatment at Panzi hospital	<u>300,000</u>	<u>300,000</u>
 Total Temporarily Restricted	 \$ <u>1,471,224</u>	 \$ <u>1,471,224</u>

Temporarily restricted net assets released from restrictions by incurring expenses were as follows:

	<u>2016</u>	<u>2015</u>
Love a Sister	\$ 284,539	\$ 931,789
Fistula treatment in Zimbabwe	97,806	-
Fistula treatment in Chad	115,750	-
Fistula treatment in Nigeria	50,000	-
Fistula treatment in Ethiopia	84,775	-
Fistula treatment Bangladesh	50,000	-
Construction of Gynocare facility	250,000	-
FIGO surgeon training program	238,353	-
Fistula Treatment at Panzi hospital	<u>300,000</u>	<u>-</u>
 Total Temporarily Restricted	 \$ <u>1,471,224</u>	 \$ <u>931,789</u>

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2016 and 2015

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 \$47,552, and \$47,552, to the plan for the years ended December 31, 2016 and 2015, 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, 2016 and 2015 respectively.

7. Commitments

The minimum rental commitments under non-cancelable leases at December 31, 2016 are summarized, as follows:

Year ending December 31,	
2017	\$ 91,680
2018	94,560
2019	97,400
2020	<u>17,520</u>
	\$ <u>301,160</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 2016, the Foundation made additional grants to the Hamlin Fistula Hospital of \$788,536, so there is no remaining balance as of December 31, 2016.

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2016 and 2015

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 financial statements as of and for the year ending December 31, 2016, this date is April 17, 2017.

10. Board Designated Endowment Fund

Unrestricted net assets include \$530,000 of funds designated in 2016 by the Board of Directors to function as a board designated endowment fund. Such net assets are classified as unrestricted since there are no restrictions imposed by outside donors.