
THE FISTULA FOUNDATION

Financial Statements

December 31, 2018 and 2017

and

Independent Auditors' Report

THE FISTULA FOUNDATION

December 31, 2018 and 2017

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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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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 17, 2019

THE FISTULA FOUNDATION
Statements of Financial Position
December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash (primarily interest bearing accounts)	\$ 343,348	\$ 883,362
Current investments	628,492	3,153,243
Contributions receivable	1,320,801	1,284,917
Accrued interest on investments	12,513	-
Prepays, deposits and other assets	<u>74,299</u>	<u>70,339</u>
Total current assets	2,379,453	5,391,861
Noncurrent investments	11,608,690	10,015,257
Property and Equipment:		
Property and equipment, net of accumulated depreciation	<u>13,371</u>	<u>14,745</u>
Total assets	\$ <u>14,001,514</u>	\$ <u>15,421,863</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	\$ 192,815	\$ 218,292
Grants payable	<u>3,248,202</u>	<u>3,648,008</u>
Total liabilities	3,441,017	3,866,300
Net Assets:		
Without Donor restrictions	1,868,907	4,478,655
With Donor restrictions	<u>8,691,590</u>	<u>7,076,908</u>
Total net assets	<u>10,560,497</u>	<u>11,555,563</u>
Total liabilities and net assets	\$ <u>14,001,514</u>	\$ <u>15,421,863</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION

Statements of Activities

For the Years Ended December 31, 2018 and 2017

2018.....		2017.....		
	Without donor <u>Restrictions</u>	With donor <u>Restrictions</u>	<u>Total</u>	Without donor <u>Restrictions</u>	With donor <u>Restrictions</u>	<u>Total</u>
Revenues and support:						
Contributions	\$ 6,237,374	3,984,591	10,221,965	\$ 7,455,501	6,863,712	14,319,213
Net Investment income (loss)	(638,301)		(638,301)	1,053,591		1,053,591
Net assets released from restriction for purpose	<u>2,369,909</u>	<u>(2,369,909)</u>	<u>-</u>	<u>1,799,461</u>	<u>(1,799,461)</u>	<u>-</u>
Total revenues and support	<u>7,968,982</u>	<u>1,614,682</u>	<u>9,583,664</u>	<u>10,308,553</u>	<u>5,064,251</u>	<u>15,372,804</u>
						-
Expenses:						
Program services	8,623,222	-	8,623,222	6,946,840	-	6,946,840
Management and general	1,039,826	-	1,039,826	854,328	-	868,205
Fundraising expense	<u>915,682</u>	<u>-</u>	<u>915,682</u>	<u>850,610</u>	<u>-</u>	<u>836,734</u>
Total expenses	<u>10,578,730</u>	<u>-</u>	<u>10,578,730</u>	<u>8,651,778</u>	<u>-</u>	<u>8,651,778</u>
Change in net assets	(2,609,748)	1,614,682	(995,066)	1,656,775	5,064,251	6,721,026
Net assets at beginning of year	<u>4,478,655</u>	<u>7,076,908</u>	<u>11,555,563</u>	<u>2,821,880</u>	<u>2,012,657</u>	<u>4,834,537</u>
Net assets at end of year	\$ <u>1,868,907</u>	<u>8,691,590</u>	<u>10,560,497</u>	\$ <u>4,478,655</u>	<u>7,076,908</u>	<u>11,555,563</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statements of Cash Flows
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from Statement of Activities	\$ (995,066)	\$ 6,721,026
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	11,097	9,466
Unrealized and realized gains and losses		
Changes in operating assets and liabilities:		
Contributions receivable	(47,875)	(497,573)
Accrued interest	(12,513)	-
Prepays, deposits and other assets	(4,483)	6,382
Accounts payable and other accrued expenses	<u>(425,283)</u>	<u>(479,938)</u>
Net cash provided by operating activities	(1,474,123)	5,759,363
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,722)	(7,471)
Purchase of investments	(3,866,168)	(8,659,204)
Sale of investments	<u>4,810,000</u>	<u>3,166,432</u>
Net cash provided by or (used) by investing activities	<u>934,110</u>	<u>(5,500,243)</u>
Net change in cash	(540,013)	259,120
Cash at beginning of year	<u>883,362</u>	<u>624,242</u>
Cash at end of year	\$ <u><u>343,349</u></u>	\$ <u><u>883,362</u></u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Functional Expenses
For The Year Ended December 31, 2018

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits \$	588,515	631,460	582,886	1,802,861
Radical Accountability	20,215	31,536	29,110	80,861
Grants	7,018,343	-	-	7,018,343
Outreach	532,953	-	-	532,953
Advertising	6,239	2,495	7,290	16,024
Bank and credit card expense	47,581	60,585	55,924	164,090
Depreciation	2,774	4,328	3,995	11,097
Dignity jewelry	-	-	14,137	14,137
Dues, licenses and registrations	6,439	10,045	25,086	41,570
Insurance	645	1,007	929	2,581
Miscellaneous	7,658	158	146	7,962
Postage/shipping	59,755	22,504	26,231	108,490
Printing	57,609	28,081	43,672	129,362
Professional services	98,828	43,380	54,965	197,173
Rent	34,083	41,624	38,423	114,130
Repairs and maintenance	19,214	13,769	12,709	45,692
Supplies	10,298	5,558	5,769	21,625
Telephone	6,948	3,235	2,691	12,874
Training and seminars	16,873	5,173	5,103	27,149
Software	37,276	1,837	1,644	40,757
Accounting and legal	1,096	88,777	-	89,873
Travel	49,880	44,274	4,972	99,126
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>8,623,222</u>	<u>1,039,826</u>	<u>915,682</u>	<u>10,578,730</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Functional Expenses
For The Year Ended December 31, 2017

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits	\$ 549,111	462,544	498,278	1,509,933
Grants	5,686,238	-	-	5,686,238
Outreach	326,812	-	-	326,812
Advertising	-	-	17,769	17,769
Bank and credit card expense	55,445	50,824	47,744	154,013
Depreciation	3,442	2,900	3,124	9,466
Dignity jewelry	-	-	10,701	10,701
Dues, licenses and registrations	14,481	12,198	13,141	39,820
Insurance	826	826	850	2,502
Miscellaneous	169	3,745	174	4,088
Postage/shipping	15,953	17,931	46,540	80,424
Printing	22,840	26,890	69,270	119,000
Professional services	161,681	117,504	80,948	360,133
Rent	37,281	32,104	34,174	103,559
Repairs and maintenance	15,137	13,035	13,876	42,048
Supplies	3,091	4,946	4,328	12,365
Telephone	2,269	3,630	3,176	9,075
Training and seminars	6,938	7,568	6,517	21,023
Accounting and legal	-	89,629	-	89,629
Travel	45,126	8,054	-	53,180
Total	\$ <u>6,946,840</u>	<u>854,328</u>	<u>850,610</u>	<u>8,651,778</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

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 of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

(c) Basis of Accounting

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

(d) New Accounting Pronouncement:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Non-Profit Organization, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

(e) Grants Policy

Grants authorized but unpaid at year-end are reported as liabilities.

(f) 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 2018 and 2017 for each bank. At December 31, 2018 and 2017, the Foundation had uninsured cash balances of \$93,348 and \$633,362 respectively.

(g) 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.

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.

(h) 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.

(i) 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.

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

(j) **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 financial statements include accrued personal time off (PTO) of \$71,385 and \$106,085 as of December 31, 2018 and 2017, respectively.

(k) **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.

(l) **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, 2018 and 2017

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

(m) 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.

(n) 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.

(o) Reclassification

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format.

2. Investments

The following represents the original cost basis, unrealized gains and (losses) and fair value of investments as of December 31, 2018 and 2017. The fair value of investments is determined based upon quoted market prices.

At December 31, 2018 and 2017 all of the Organizations investments were classified as Level 1 and consisted of the following:

	2018		2017	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity	\$ 486,137	778,222	903,717	1,239,955
Mutual Funds	4,515,999	4,423,689	3,730,104	3,889,629
Corporate bonds	246,208	229,006	306,146	285,591
Exchange Traded Funds	6,092,445	5,833,644	6,085,384	6,408,052
MoneyMarket/Cash	<u>972,621</u>	<u>972,621</u>	<u>1,345,273</u>	<u>1,345,273</u>
Total Investments	\$ <u>12,313,410</u>	<u>12,237,182</u>	<u>12,370,624</u>	<u>13,168,500</u>

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

2. Investments (continued)

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

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 359,869	\$ 267,491
Realized gain (loss)	315,120	317,607
Unrealized gain (loss)	<u>(1,313,290)</u>	<u>468,493</u>
Net investment income or (loss)	\$ <u>(638,301)</u>	\$ <u>1,053,591</u>

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computer & equipment	\$ 58,807	\$ 49,362
Furniture and fixtures	32,517	32,517
Leasehold improvements	2,288	2,288
Software	<u>46,123</u>	<u>45,845</u>
Subtotal	139,735	130,012
Less accumulated depreciation	<u>126,364</u>	<u>115,267</u>
Total property and equipment – net of accumulated depreciation	\$ <u>13,371</u>	\$ <u>14,745</u>

4. Net Assets – Endowment Funds

The Board established a fund in 2016 to function as an endowment for the future of the Foundation.

In 2018 and 2017 the Foundation received \$1,849,505, and \$5,496,795 as an endowment to be used for its mission and purposes annually. The terms of the endowment state that five percent (5%) of the fair market value of such endowment, determined as of the last day of the previous calendar year, can be used in the succeeding year.

THE FISTULA FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

At December 31, 2018 and 2017, the composition of the endowment fund was:

	Without Donor Restrictions <u>2017</u>	With Donor Restrictions <u>2017</u>	Without Donor Restrictions <u>2018</u>	Without Donor Restrictions <u>2018</u>
Donor- restricted endowment Board designated endowment	<u>\$ 530,025</u>	\$ 5,496,795	<u>\$ 530,025</u>	\$ 7,346,300
Total Endowment	<u>\$ 530,025</u>	<u>\$ 5,496,795</u>	<u>\$ 530,025</u>	<u>\$ 7,346,300</u>

Interpretation of Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor- restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. In accordance with UMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

4. Net Assets – Endowment Funds (continued)

- a. The duration and preservation of the fund
- b. The purpose of the Foundation and donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

5. Net Assets – With Donor Restrictions

Donor restricted net assets consist for the following purposes as of December 31, 2018 and December 31, 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Love a Sister	\$ 272,931	\$ 332,357
Fistula treatment in Zimbabwe	-	122,466
Fistula treatment in Zambia	307,347	347,700
Fistula treatment in Chad	80,500	-
Fistula treatment in Bangladesh	261,407	185,975
Kisii Capital Improvements	-	50,000
Kenya (AOF)	52,569	37,000
Radical accountability	104,750	150,611
Fistula treatment in Nepal	-	5,000
Fistula Treatment in Afghanistan	121,308	16,804
Maternity Africa	-	127,200
Treatment in Africa	29,174	205,000
Fistula Treatment at Panzi hospital	115,304	-
Endowment with purpose restriction	<u>7,346,300</u>	<u>5,496,795</u>
Total net assets with donor restrictions	\$ <u>8,691,590</u>	\$ <u>7,076,908</u>

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

5. Net Assets – With Donor Restrictions (continued)

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

	<u>2018</u>	<u>2017</u>
Love a Sister	\$ 687,048	\$ 212,563
Fistula treatment in Zimbabwe	122,466	142,485
Fistula treatment in Zambia	290,353	235,000
Fistula treatment in Chad	-	87,734
Fistula treatment in Ethiopia	-	57,428
Fistula treatment in Guinea	-	20,000
Kisii Capital Improvements	50,000	50,000
Fistula treatment in Nepal	5,000	11,000
Fistula treatment in Nigeria	-	266,827
Kenya AOF	624,120	-
Fistula treatment Bangladesh	25,183	-
Fistula treatment in Liberia	-	10,250
Fistula treatment in Angola	-	6,650
Fistula treatment in Afghanistan	152,925	252,586
Fistula Treatment at Panzi hospital	-	230,749
Radical Accountability	80,614	59,389
Maternity Africa	127,200	156,800
Treatment in Africa	<u>205,000</u>	<u>-</u>
Total donor released net assets	\$ <u>2,369,909</u>	\$ <u>1,799,461</u>

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 \$60,410, and \$43,534 to the plan for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 respectively.

7. Commitments

The minimum rental commitments under non-cancelable leases at December 31, 2018 are summarized, as follows:

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2018 and 2017

7. Commitments (Continued)

Year ending December 31,

2019	97,400
2020	<u>17,520</u>
	\$ <u>114,920</u>

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, 2018, this date is April 17, 2019.