

FOCUS HUMANITARIAN ASSISTANCE, U.S.A.

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Financial Statements

December 31, 2013

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

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To the Board of Directors of
Focus Humanitarian Assistance, U.S.A.

Independent Auditor's Report

We have audited the accompanying financial statements of Focus Humanitarian Assistance, U.S.A. (a District of Columbia nonprofit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expense 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, 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.

Mullen Scorpio Cerilli

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Focus Humanitarian Assistance, U.S.A. as of December 31, 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014 on our consideration of Focus Humanitarian Assistance, U.S.A.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Focus Humanitarian Assistance, U.S.A.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Focus Humanitarian Assistance, U.S.A.'s 2012 financial statements, and our report dated March 4, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Providence, Rhode Island
March 4, 2014

FOCUS HUMANITARIAN ASSISTANCE, U.S.A.

Statement of Financial Position

December 31, 2013

(With Comparative Totals for December 31, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash	\$ 9,789,964	\$ 4,597,658
Investments (Notes 2 and 8)	501,662	4,381,796
Contributions receivable due within one year (Note 3)	199,343	350,501
Other receivables and prepaid expenses	117,021	52,437
Grant receivable	585,695	706,158
Humanitarian grant advances (Note 4)	<u>732,036</u>	<u>1,181,828</u>
Total current assets	11,925,721	11,270,378
Investments (Notes 2 and 8)	3,747,392	-
Contributions receivable due after one year (Note 3)	333,887	353,654
Property and equipment (net of accumulated depreciation) (Note 5)	<u>10,351</u>	<u>20,976</u>
Total assets	<u><u>\$ 16,017,351</u></u>	<u><u>\$ 11,645,008</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 89,438	\$ 157,844
Humanitarian grant payables (Note 4)	1,324,728	1,407,667
Advanced grant income	<u>215,263</u>	<u>134,150</u>
Total liabilities	<u>1,629,429</u>	<u>1,699,661</u>
Net assets:		
Unrestricted	9,028,615	8,573,177
Temporarily restricted (Note 9)	<u>5,359,307</u>	<u>1,372,170</u>
Total net assets	<u>14,387,922</u>	<u>9,945,347</u>
Total liabilities and net assets	<u><u>\$ 16,017,351</u></u>	<u><u>\$ 11,645,008</u></u>

The notes on pages 7 through 14 are an integral part of these financial statements.

FOCUS HUMANITARIAN ASSISTANCE, U.S.A.

Statement of Activities

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Revenue:				
Public support and other revenue:				
Contributions	\$ 3,250,291	\$ -	\$ 3,250,291	\$ 3,716,602
In-kind services and program support (Note 6)	55,140	-	55,140	-
Investment income	37,653	-	37,653	43,579
Humanitarian grants	839,834	-	839,834	832,224
Governmental and other grants	2,941,339	-	2,941,339	2,507,471
Total revenue and other support	7,124,257	-	7,124,257	7,099,876
Reclassification - net assets released from restrictions	-	-	-	-
Total revenue and reclassifications	7,124,257	-	7,124,257	7,099,876
Expenses:				
Program services - humanitarian assistance	6,448,100	-	6,448,100	5,595,049
Fundraising	64,302	-	64,302	54,134
Administrative and general	156,417	-	156,417	156,721
Total expenses	6,668,819	-	6,668,819	5,805,904
Changes in net assets before non-reoccurring item	455,438	-	455,438	1,293,972
Non-reoccurring item				
Addition to Conflict Crisis Relief Fund	-	3,987,137	3,987,137	-
Change in net assets	455,438	3,987,137	4,442,575	1,293,972
Net assets - beginning of period	8,573,177	1,372,170	9,945,347	8,651,375
Net assets - end of year	\$ 9,028,615	\$ 5,359,307	\$ 14,387,922	\$ 9,945,347

The notes on pages 7 through 14 are an integral part of these financial statements.

FOCUS HUMANITARIAN ASSISTANCE, U.S.A.

Statement of Functional Expenses

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013				2012
	Program Services Humanitarian Assistance	Fundraising	Administrative and General	Total	Total
Personnel costs	\$ 893,749	\$ 39,858	\$ 116,024	\$ 1,049,631	\$ 967,217
Humanitarian grants	1,981,062	-	-	1,981,062	1,624,668
Governmental and other grants expenses	2,862,220	-	-	2,862,220	2,368,049
Professional fees and consultants	1,202	-	19,265	20,467	19,571
General office expenses	60,797	4,709	5,528	71,034	63,143
Rent and office utilities	96,940	-	6,732	103,672	106,027
Printing and media	12,623	9,529	-	22,152	19,103
Telephone and communication	41,689	10,206	6,311	58,206	63,729
Travel	231,163	-	1,909	233,072	256,679
Material, equip. and software	241,260	-	-	241,260	300,859
Repairs and maintenance	12,366	-	-	12,366	-
Depreciation expense	13,029	-	648	13,677	16,859
Total expenses	<u>\$ 6,448,100</u>	<u>\$ 64,302</u>	<u>\$ 156,417</u>	<u>\$ 6,668,819</u>	<u>\$ 5,805,904</u>

The notes on pages 7 through 14 are an integral part of these financial statements.

FOCUS HUMANITARIAN ASSISTANCE, U.S.A.

Statement of Cash Flow

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Operating activities:		
Change in net assets	\$ 4,442,575	\$ 1,293,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,677	16,859
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Contributions receivable (net of discounts and allowances) Note (3)	170,925	(3,759)
Other receivables and prepaid expenses	(64,584)	8,978
Grant receivable	120,463	(71,998)
Humanitarian grants advances	449,792	(193,019)
Accounts payable and accrued liabilities	(68,406)	7,680
Humanitarian grants payable	(82,939)	375,783
Advanced contract income	81,113	(174,297)
Net cash (used) provided by operating activities	<u>5,062,616</u>	<u>1,260,199</u>
Investing activities:		
Purchases of property and equipment	(3,052)	-
(Purchase) redemption of investments	132,742	54,989
Net cash (used) provided by investing activities	<u>129,690</u>	<u>54,989</u>
Net (decrease) increase in cash	5,192,306	1,315,188
Cash - beginning of period	<u>4,597,658</u>	<u>3,282,470</u>
Cash - end of period	<u><u>\$ 9,789,964</u></u>	<u><u>\$ 4,597,658</u></u>

The notes on pages 7 through 14 are an integral part of these financial statements.

FOCUS HUMANITARIAN ASSISTANCE, U.S.A.

Notes to Financial Statements

December 31, 2013

Note 1 - Summary of Significant Accounting Policies

Focus Humanitarian Assistance, U.S.A. is a nonprofit corporation organized under the laws of the District of Columbia and exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Focus Humanitarian Assistance is an international group of agencies established in Europe, North America and South Asia to complement the provision of emergency relief, principally in the developing world. It helps people in need reduce their dependence on humanitarian aid and facilitates their transition to sustainable self-reliant, long-term development. Focus Humanitarian Assistance is affiliated with the Aga Khan Development Network, a group of institutions working to improve opportunities and living conditions, for people of all faiths and origins, in specific regions of the developing world. Underlying the establishment of FOCUS by the Ismaili Muslim community is a history of successful initiatives to assist people struck by natural and man-made disasters in South and Central Asia and Africa.

Basis of Financial Reporting

The accompanying financial statements of Focus Humanitarian Assistance, U.S.A. have been prepared on the accrual basis of accounting.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the organization, the accounts of Focus Humanitarian Assistance, U.S.A. are maintained in net asset groups as follows:

- Unrestricted net asset group includes funds, which the Directors retain full control of to use in achieving any of the objectives of the organization.
- Temporarily restricted net asset group includes funds restricted by outside sources, which may only be utilized in accordance with purposes established by the donors of such funds.
- Permanently restricted net asset group includes funds permanently restricted by outside sources which require that the principal be invested in perpetuity and only the income be utilized by Focus Humanitarian Assistance, U.S.A. Income may be utilized for unrestricted purposes or temporarily restricted purposes as established by the source of such funds. At December 31, 2013 and 2012, Focus Humanitarian Assistance, U.S.A. did not have any permanently restricted net assets.

Property and Equipment

Focus Humanitarian Assistance, U.S.A. capitalizes all significant purchases of improvements and equipment as property and equipment. Depreciation is calculated under the straight-line method over the estimated useful lives of the assets.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies

Income Taxes

Focus Humanitarian Assistance, U.S.A. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

Focus Humanitarian Assistance, U.S.A. evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Form 990 – Return of Organization Exempt From Income Tax with the Internal Revenue Service. The Forms 990 for 2013 and 2012 are subject to review by the taxing authorities for three years after they are filed. The Organization currently has no examinations in progress.

Recognition of Donor Restrictions

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

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions of pledges are recorded as revenue when an unconditional commitment is received and there is sufficient evidence in the form of written, verifiable documentation. Pledge contributions that are not written, calculable or verifiable are recorded as revenue in the year that payment is received.

Unrestricted contribution that are to be received over multiple future years, are recorded in the entire amount in the year the pledge is received. These contributions are included as unrestricted revenue on the Statement of Activities and as increases to unrestricted net assets on the Statement of Financial Position.

Contributed Services and Donated Materials

Contributed services are reflected in the accompanying statements at their estimated fair values at the date of receipt to the extent that they create or enhance non-financial assets or require specialized skills, which if not provided by donation, would have to be purchased by Focus Humanitarian Assistance, U.S.A. The contributed services and donated materials have been reported in the accompanying financial statements as revenue with an offsetting expense.

Approximately \$55,140 and \$0 (see Note 6) have been reflected in the financial statements for in-kind services and materials utilized in various programs for the years ended December 31, 2013 and 2012, respectively.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies

External Grants

External grants revenue is recognized when FOCUS has incurred eligible expenditures and met all of the other grant eligibility requirements. See Note 13 for further information on external grants.

Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note 2 - Investments

Investments are recorded in the financial statements at fair market value. As of December 31, 2013 and 2012, investments of Focus Humanitarian Assistance, U.S.A. consisted of the following:

	2013	2012
Money market funds	\$ 9,650	\$ 2,016,527
Certificates of Deposit (CDs) - Current	492,012	2,365,269
Certificates of Deposit (CDs) – Long-term	3,747,392	-
Total	<u>\$ 4,249,054</u>	<u>\$ 4,381,796</u>

The Certificates of Deposit are held at major financial institutions that have maturities within twelve to twenty-four months from the Statement of Financial Position dates. Amounts that have maturities within twelve months have been classified as current assets on the Statement of Financial Position.

Note 3 - Contributions Receivable

As of December 31, 2013 and 2012, Focus Humanitarian Assistance, U.S.A. has received the following unconditional pledges:

	2013	2012
Jamati donations	\$ 1,079,855	\$ 1,197,901
Less: unamortized present value discount	(17,548)	(18,545)
Less: uncollectible allowance	(529,077)	(475,201)
Net contribution pledges receivable	<u>\$ 533,230</u>	<u>\$ 704,155</u>

Note 3 continued on the next page.

Note 3 - Contributions Receivable

Amounts due in:

Less than one year	\$ 199,343	\$ 350,501
One to five years	276,536	278,924
After five years	57,351	74,730
	<hr/>	<hr/>
Total	\$ 533,230	\$ 704,155
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The present value discount rate was .75% for 2013 and .75% for 2012, respectively. The discount rate used is based on US Treasury rates, which is our best estimation of a risk-free rate of return. The amounts due in less than one year are recorded at their net realizable value, per ASC 958-607-30-6 which states that unconditional promises to give that are expected to be collected in less than one year may be measured at net realizable value because that amount results in a reasonable estimate of fair value. All other amounts are subject to discounting using the risk-free rate, and are also subject to an allowance which we believe results in those amounts approximating fair value.

Note 4 - Humanitarian Grants

During 2013 and 2012, Focus Humanitarian Assistance, U.S.A. made humanitarian grants to other charitable organizations that share a common mission.

Grants made during the year ended December 31, 2013 and 2012 were as follows:

	2013	2012
	<hr/>	<hr/>
Focus Humanitarian Assistance Europe Foundation	\$ 100,948	\$ 103,386
Focus Humanitarian Assistance Canada	391,508	424,473
Focus Humanitarian Assistance Pakistan	250,860	187,670
Focus Humanitarian Assistance Afghanistan	704,500	589,405
Focus Humanitarian Assistance India	80,908	35,266
Focus International Coordination Committee	452,338	284,468
	<hr/>	<hr/>
Total	\$ 1,981,062	\$ 1,624,668
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As of December 31, 2013 and 2012, Focus Humanitarian Assistance, U.S.A. has the following grants advances and payables to the above organizations:

	2013	2012
	<hr/>	<hr/>
Humanitarian Grants Advances:		
Focus Humanitarian Assistance Europe Foundation	\$ 83,682	\$ 446,449
Focus Humanitarian Assistance Canada	636,603	732,804
Focus Humanitarian Assistance Pakistan	10,199	1,638
Focus Humanitarian Assistance Afghanistan	278	-
Focus Humanitarian Assistance India	1,274	937
	<hr/>	<hr/>
Total	\$ 732,036	\$ 1,181,828
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Note 4 continued on the next page.

Note 4 - Humanitarian Grants

	2013	2012
Humanitarian Grants Payable:		
Focus Humanitarian Assistance Europe Foundation	\$ 32,821	\$ 79,706
Focus Humanitarian Assistance Canada	1,241,472	980,684
Focus Humanitarian Assistance Pakistan	-	-
Focus Humanitarian Assistance Afghanistan	50,435	347,277
Focus Humanitarian Assistance India	-	-
Total	<u>\$ 1,324,728</u>	<u>\$ 1,407,667</u>

Note 5 - Property and Equipment

At December 31, 2013 and 2012, the property and equipment of Focus Humanitarian Assistance, U.S.A. consisted of the following:

	2013	2012
Leasehold improvements	\$ 44,513	\$ 41,461
Office furniture	18,191	18,191
Equipment	138,675	138,675
Program equipment	202,987	202,987
Total equipment	404,366	401,314
Less: accumulated depreciation	(394,015)	(380,338)
Net property and equipment	<u>\$ 10,351</u>	<u>\$ 20,976</u>

Note 6 - Donated In-Kind Services, Operating Expenses, Occupancy and Equipment

Focus Humanitarian Assistance, U.S.A. generally receives an amount of in-kind operating donations that directly enhanced its delivery of program services. The valuation of in-kind operating expenses has been determined based upon the estimated fair market value of such items. The donated items for 2013 and 2012 can be summarized as follows:

	2013	2012
Public in-kind donations		
Helicopter usage for Remote Hazards Project	\$ 55,140	\$ -
Total	<u>\$ 55,140</u>	<u>\$ -</u>

Note 7 - Leases

Operating Lease

The Organization operates from an office located in Houston, Texas. Currently there is no lease in place and the office space is being occupied rent free, with the exception of common area expenses. The common area expenses for 2013 and 2012 were \$4,572 and \$3,775, respectively.

Note 8 - Fair Value Measurements

Generally accepted accounting principles has establish a framework for measuring fair value and expand disclosures about fair value measurements for assets and liabilities. 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 input) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles are as follows:

- Level 1 – valuations based on quoted prices in active markets for identical investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Receivables from contributions from donors and grants, accounts payable and accrued expenses are stated at fair value on the Statement of Financial Position.

The following tables present Focus Humanitarian Assistance, U.S.A. investments that are included in fair value measurements at December 31, 2013 and 2012 within the fair value hierarchy.

<u>Assets</u>	<u>Balance as of December 31, 2013</u>	<u>Balance as of December 31, 2012</u>
Investments:		
Level 1:		
Money market funds	\$ 9,650	\$ 2,016,527
Certificates of Deposit (CDs)	4,239,404	2,365,269
Total Level 1	4,249,054	4,381,796
Level 2	-	-
Level 3	-	-
Total Investments	<u>\$ 4,249,054</u>	<u>\$ 4,381,796</u>

Note 9 - Temporarily Restricted Net Assets

As of December 31, 2013 and 2012, temporarily restricted net assets are available for:

	2013	2012
Flood Relief	\$ 1,372,170	\$ 1,372,170
Conflict Crisis Relief	3,987,137	-
Total	<u>\$ 5,339,307</u>	<u>\$ 1,372,170</u>

Note 10 - Shared Costs between Focus Humanitarian Assistance, U.S.A. (FOCUS USA) and Focus Humanitarian Assistance Canada (FOCUS Canada)

On July 11, 2011, FOCUS adopted resolutions to formerly cease its North American Structure. Prior to this resolution Focus USA and FOCUS Canada operated as regional operating entities, with centralized management, finance, administrative, donor and programmatic service delivery via offices located in Houston, USA and Toronto, Canada, whereby certain costs were allocated between the respective organizations. This new structure will continue to have some program and fundraising activities that will be conducted on a regional basis with shared costs between Focus USA and Focus Canada. All finance, administrative and most program activities will be conducted solely for Focus USA without any allocation from Focus Canada.

Total costs allocated to FOCUS USA from FOCUS Canada as part of the limited costs sharing arrangement were \$33,436 and \$26,921 for the years ended December 31, 2013 and 2012, respectively.

Note 11 - Statement of Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 12 - Concentration of Credit Risk

Focus Humanitarian Assistance, U.S.A. has concentrated its credit risk for cash and investments by maintaining deposits in two financial institutions. The Federal Deposit Insurance Corporation insures the balances up to \$250,000. At December 31, 2013 uninsured cash and investments were of \$9,539,821 and at December 31, 2012 FOCUS' combined uninsured cash and investments were \$6,864,718.

The organization also has a concentration of contributions from major donors. For the year ended December 31, 2013, the twelve largest donors contributed a total of 11% of the contributions that were received.

Note 13 - External Grants

Focus Humanitarian Assistance, U.S.A. has received from external sources, grants for its work in Central Asia. The schedule below summarizes the revenue from major external grants received during the years ended December 31, 2013 and 2012.

<u>Funding County – Program Name – Program Region</u>	<u>2013</u>	<u>2012</u>
European Commission – Disaster Preparedness – Tajikistan	\$ 994,287	\$ 372,256
United States – Community Based Disaster Risk Reduction – Afghanistan	889,217	716,492
Austria – Poverty Alleviation Through Mitigation of Integrated High Mountain Risk – Tajikistan	128,645	138,765
Swiss – Remote Hazards – Tajikistan	350,310	559,958
United Kingdom – Remote Hazards – Tajikistan	357,698	565,257
Other External Grants	<u>221,182</u>	<u>154,643</u>
Total	<u>\$ 2,941,339</u>	<u>\$ 2,507,471</u>

Note 14 - Subsequent Events

Management has evaluated all subsequent events through March 4, 2014, the date the financial statements were available to be issued.