

FRIENDS WITHOUT A BORDER
FINANCIAL STATEMENTS
DECEMBER 31, 2015
(With Report of Independent Auditor)

FRIENDS WITHOUT A BORDER
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John W. Davis, CPA
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of **Friends Without A Border** which comprise of the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Friends Without A Border** as of December 31, 2015 and the results of its operations and its cash flows for the year ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the financial statements of **Friends Without A Border** as of December 31, 2014 and expressed an unmodified audit opinion on those audited financial statements in my report dated July 14, 2015. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived

Linden, NJ
June 20, 2016

FRIENDS WITHOUT A BORDER
Statement of Financial Position
As of December 31, 2015
(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash	\$ 333,992	\$ 640,202
Pledges receivable - Note 4	588,792	237,173
Other receivables	158,972	44,761
Prepaid expenses	5,949	14,870
Inventory - prints, catalogs etc.	112,024	99,165
Fixed assets - net - Note 5	1,530,137	835,778
Security deposit	<u>8,750</u>	<u>8,750</u>
 Total assets	 <u>\$ 2,738,616</u>	 <u>\$ 1,880,699</u>
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accrued expenses payable	<u>\$ 121,052</u>	<u>\$ 80,305</u>
 Commitment – Note 6		
 <u>Net assets</u>		
Unrestricted	713,873	716,388
Unrestricted - fixed assets	<u>1,530,137</u>	<u>835,778</u>
 Total unrestricted net assets	 2,244,010	 1,552,166
Temporarily restricted net assets - Note 7	<u>373,554</u>	<u>248,228</u>
 Total net assets	 <u>2,617,564</u>	 <u>1,800,394</u>
 Total liabilities and net assets	 <u>\$ 2,738,616</u>	 <u>\$ 1,880,699</u>

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER
Statement of Activities and Changes in Net Assets
As of December 31, 2015
(With comparative totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenue				
Contributions	\$ 1,665,529	\$ 703,268	\$ 2,368,797	\$ 1,697,643
Contributions in-kind	83,828		83,828	
Special events	594,955		594,955	456,215
Less: direct expenses	(222,311)		(222,311)	(187,097)
Sales	37,488		37,488	4,482
Collection boxes	4,131		4,131	1,024
Investment income	1,477		1,477	1,602
Other	2,284		2,284	925
	<u>2,167,381</u>	<u>703,268</u>	<u>2,870,649</u>	<u>1,974,794</u>
Net assets released from restrictions	<u>577,942</u>	<u>(577,942)</u>		
Total revenue	<u>2,745,323</u>	<u>125,326</u>	<u>2,870,649</u>	<u>1,974,794</u>
Expenses				
Program services				
Angkor Hospital and The Lake Clinic	361,395		361,395	350,402
Lao Friends Hospital for Children	1,269,275		1,269,275	492,270
Program development	17,209		17,209	4,500
Total program services	<u>1,647,879</u>		<u>1,647,879</u>	<u>847,172</u>
Supporting services				
Management and general	267,946		267,946	202,928
Fund raising	137,654		137,654	162,232
Total supporting services	<u>405,600</u>		<u>405,600</u>	<u>365,160</u>
Total expenses	<u>2,053,479</u>		<u>2,053,479</u>	<u>1,212,332</u>
Change in net assets	691,844	125,326	817,170	762,462
Net assets at beginning of year	<u>1,552,166</u>	<u>248,228</u>	<u>1,800,394</u>	<u>1,037,932</u>
Net assets at end of year	<u>\$ 2,244,010</u>	<u>\$ 373,554</u>	<u>\$ 2,617,564</u>	<u>\$ 1,800,394</u>

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER

Statement of Functional Expenses

As of December 31, 2015

(With comparative totals for 2014)

	Program services				Supporting services			Total 2015	Total 2014
	Hospital support	LFHC	Program development	Total	Management and general	Fund- raising	Total		
Salaries and fringe benefits	\$ 2,250	\$ 665,657		\$ 667,907	\$ 82,928	\$ 99,724	\$ 182,652	\$ 850,559	\$ 383,576
Professional services		15,419		15,419	53,239	5,128	58,367	73,786	195,876
Professional services in-kind		83,828		83,828				83,828	
Medical supplies		146,732		146,732				146,732	2,455
Office supplies and expenses		46,369		46,369	1,843	1,301	3,144	49,513	25,960
Equipment purchase		81,963		81,963	3,781		3,781	85,744	21,778
Postage and shipping		20,561		20,561	8,915	2,936	11,851	32,412	11,866
Printing		8,906		8,906	1,684	9,334	11,018	19,924	15,383
Telecommunication		13,079		13,079	4,024	822	4,846	17,925	5,645
Travel		52,693	\$ 13,874	66,567	601	4,104	4,705	71,272	88,183
Patient care		9,210		9,210				9,210	
Advertising /promotions		44,892	750	45,642	1,327	11,451	12,778	58,420	15,052
Vehicle expenses		13,459		13,459				13,459	
Occupancy		40,230		40,230	44,484		44,484	84,714	73,174
Insurance		6,177		6,177	5,516		5,516	11,693	6,230
Training		2,675		2,675	2,962	247	3,209	5,884	11,964
Grant awards	359,145			359,145	7,053		7,053	366,198	345,938
Depreciation & amortization					48,975		48,975	48,975	
Miscellaneous		17,425	2,585	20,010	614	2,607	3,221	23,231	9,252
Total Expenditures	\$ 361,395	\$ 1,269,275	\$ 17,209	\$ 1,647,879	\$ 267,946	\$ 137,654	\$ 405,600	\$ 2,053,479	\$ 1,212,332

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER

Statement of Cash Flows

As of December 31, 2015

(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 817,170	\$ 762,462
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	48,975	
Decrease (increase) in operating assets:		
Grants and contributions receivable	(351,619)	123,204
Inventory - prints, catalogs etc.	(12,859)	(12,481)
Prepaid expenses	8,921	1,005
Other receivables	(114,211)	(44,727)
Increase (decrease) in operating activities:		
Accrued expenses payable	<u>40,747</u>	<u>47,852</u>
Net cash provided by operating activities	<u>437,124</u>	<u>877,315</u>
Cash flows from investing activities		
Fixed assets acquisitions	(<u>743,334</u>)	(<u>682,778</u>)
Net cash used in investing activities	(<u>743,334</u>)	(<u>682,778</u>)
Net (decrease)/increase in cash and cash equivalents	(306,210)	194,537
Cash and cash equivalents at beginning of year	<u>640,202</u>	<u>445,665</u>
Cash and cash equivalents at end of year	<u>\$ 333,992</u>	<u>\$ 640,202</u>

See accompanying notes to financial statements.

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

As of December 31, 2015

Note 1 Organization

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

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

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

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

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

Note 2 Significant accounting policies

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

Method of accounting

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

Financial statement presentation

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

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

As of December 31, 2015

Note 2 Significant accounting policies (Continued)

Allowance for doubtful accounts

Management has determined that no allowance for uncollectible accounts for pledge receivable or accrued receivable is necessary as of December 31, 2015. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Fixed assets

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

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

Revenue recognition

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

Functional expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Uncertainty in income taxes

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

Subsequent events

Friends evaluated its December 31, 2015 financial statements for subsequent events through June 20, 2016, the date the financial statements were available to be issued. Friends is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

FRIENDS WITHOUT A BORDER

Notes to Financial Statements

As of December 31, 2015

Note 3 Concentration of credit risk

Financial instruments that could potentially subject Friends to concentration of credit risk consist of cash deposited in financial institutions outside of the United States of America. As of December 31, 2015, cash totaling \$124,281 was deposited in foreign institutions.

Note 4 Pledges receivable

Yollanda Cheung Li & R. Christopher Li	\$ 40,000
World of Children Award	40,185
TEAM Grant (World Education, Inc.)	214,055
Edward E. Stone Foundation	200,000
Pua Foundation	25,000
The Marshall Family Foundation, Inc.	20,000
RJ Hutton Charitable Trust	5,000
Traloun Song	5,000
Various contribution less than \$5,000	<u>39,552</u>
Total pledges receivable	<u>\$ 588,792</u>

Note 5 Fixed assets

LFHC building	\$ 1,091,950
Friends visitor center	24,022
Office equipment, vehicle, furniture	98,352
Medical equipment	364,788
Leasehold Improvement (NY office)	<u>6,901</u>
	1,586,013
Less: accumulated depreciation	<u>(55,876)</u>
Total fixed assets	<u>\$ 1,530,137</u>

The LFHC is located on the grounds of the Luang Prabang Provincial Hospital. The total construction cost is \$1,091,950 and the final payment of \$69,300 will be paid in FY 2016.

Note 6 Commitment

The lease for the New York office was expired on April 30, 2016. Total rent expense for the year ended December 31, 2015 was \$37,200.

Future minimum lease payments under this operating lease at December 31, 2015 are as follows:

Year Ending December 31

2016	<u>\$ 12,520</u>
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FRIENDS WITHOUT A BORDER

Notes to Financial Statements

As of December 31, 2015

Note 7 Temporarily restricted net assets

	Balance 12/31/2014	FY15 Contributions	FY15 Releases	Balance 12/31/2015
Restricted for AHC				
Pua Foundation	\$ 6,260	\$ 25,000	\$ (31,260)	
The Marshall Family Foundation Inc.	5,000	10,000	(15,000)	
Ungar Foundation	8,000		(8,000)	
Microsoft Matching Gifts Program	12,571	13,060	(25,631)	
CW Asia Fund Foundation (LBF)	8,439		(8,439)	
CW Asia Fund Foundation (MM)	4,219		(4,219)	
Greater Houston Community Foundation		5,000	(5,000)	
Tides Foundation		7,734	(7,734)	
Others		44,856	(44,856)	
Restricted for TLC				
Robert Ellis and Jane Bernstein		10,000	(10,000)	
Edgar H. Bachrach / Build Cambodia, Inc.		10,000	(10,000)	
Denis J. Martin and Anne M. Haviland		140,000	(140,000)	
Purchase of medical equipment from SoundCaring Program		19,300	(19,300)	
Others	3,000	15,143	(10,585)	\$ 7,558
Restricted for LFHC				
David Chang	24,000		(24,000)	
Yollanda Cheung Li & R. Christopher Li	16,000	24,000		40,000
The Ungar Foundation	6,000		(6,000)	
Alex & Nieves Chanthasoto	1,800		(1,800)	
Senary Phommavong	200		(200)	
Vanthany Chanthasoto	300		(300)	
Aromsay Chanthasoto	133		(133)	
Ayako H. Weissman	6,000		(6,000)	
The Morris Family Foundation	14,000		(14,000)	
The Big Wood Foundation	14,000		(14,000)	
The Shemesh Joester Foundation	2,000		(2,000)	
Kurt Forrest Foundation	2,000		(2,000)	
David Pritchard	1,000		(1,000)	
Caroline and Jorge Camuñas	3,000		(3,000)	
Maria Fong	20,000		(20,000)	
CW Asia Fund Foundation (MM)	2,000		(2,000)	
Arthur J. and Kathryn Koehler Howe Charitable Giving Fund	200		(200)	
Harmut and Ayako Giesecke		100,000	(100,000)	
Julian and Kristiane Traffa Tyacke		2,000	(2,000)	
World of Children Award	83,056		(24,001)	59,055
TEAM Grant (World Education, Inc.)		299,973	(33,032)	266,941
Restricted for Nursing Education	5,050	1,203	(6,253)	
Total temporarily restricted net assets	\$ 248,228	\$ 727,269	\$ (601,943)	\$ 373,554