

**FRIENDS WITHOUT A BORDER**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**  
**(With Comparative Totals for 2017)**  
**(With Report of Independent Auditor)**

# FRIENDS WITHOUT A BORDER

## Contents

	Page
Report of Independent Auditor .....	1-2
Statement of Financial Position (with comparative totals for 2017) .....	3
Statement of Activities and Changes in Net Assets (with comparative totals for 2017) .....	4
Statement of Functional Expenses (with comparative totals for 2017) .....	5
Statement of Cash Flows (with comparative totals for 2017) .....	6
Notes to Financial Statements .....	7-11



# 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, 2018 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, 2018 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, 2017 and expressed an unmodified audit opinion on those audited financial statements in my report dated August 23, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Steven", enclosed within a large, horizontal oval shape.

Linden, NJ  
August 22, 2019

**FRIENDS WITHOUT A BORDER**  
**Statement of Financial Position**  
For The Year Ended December 31, 2018  
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<i>CURRENT ASSETS</i>		
Cash	\$ 359,274	\$ 214,002
Investment – Note 9	570,393	
Pledges receivable – Note 4	175,292	148,649
Other receivables	11,148	83,687
Prepaid expenses	12,918	20,037
Inventory - prints, catalogs etc.	96,030	105,507
	<hr/>	<hr/>
<i>TOTAL CURRENT ASSETS</i>	1,225,054	571,882
Fixed assets - net – Notes 2 & 5	1,575,768	1,558,404
Security deposit	11,600	11,600
	<hr/>	<hr/>
Total assets	<u>\$ 2,812,422</u>	<u>\$ 2,141,886</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accrued expenses payable	\$ 355,722	\$ 124,493
	<hr/>	<hr/>
Commitment – Note 6		
 <b>Net assets</b>		
Without donor restrictions	857,008	378,282
Without donor restrictions - fixed assets	1,575,768	1,558,404
	<hr/>	<hr/>
Total net assets without donor restrictions	2,432,776	1,936,686
Net assets with donor restrictions - Note 7	23,924	80,707
	<hr/>	<hr/>
Total net assets	2,456,700	2,017,393
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,812,422</u>	<u>\$ 2,141,886</u>

See accompanying notes to financial statements.

**FRIENDS WITHOUT A BORDER**  
**Statement of Activities and Changes in Net Assets**  
For The Year Ended December 31, 2018  
(With comparative totals for 2017)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>REVENUE</b>				
Contributions	\$ 1,674,892	\$ 731,957	\$ 2,406,849	\$ 1,643,822
Net Special events	936,343		963,343	637,328
Patient income, fees, etc.	8,598		8,598	4,809
Sales	2,185		2,185	8,247
Collection boxes	7,092		7,092	5,944
Investment income – Note 9	( 94,521)		( 94,521)	1,712
Other	11,878		11,878	3,602
	<u>2,546,467</u>	<u>731,957</u>	<u>3,278,424</u>	<u>2,305,464</u>
Net assets released from restrictions	788,740	( 788,740)		
Total revenue	<u>3,335,207</u>	<u>( 56,783)</u>	<u>3,278,424</u>	<u>2,305,464</u>
<b>EXPENSES</b>				
<b>Program services</b>				
Hospital support (AHC & TLC)	364,738		364,738	296,467
LFHC	1,967,739		1,967,739	1,732,709
Program development	21,556		21,556	13,044
Total program services	<u>2,354,033</u>		<u>2,354,033</u>	<u>2,042,220</u>
<b>Supporting services</b>				
Management and general	236,722		236,722	222,894
Fund raising	248,362		248,362	218,199
Total supporting services	<u>485,084</u>		<u>485,084</u>	<u>441,093</u>
Total expenses	<u>2,839,117</u>		<u>2,839,117</u>	<u>2,483,313</u>
Change in net assets	496,090	( 56,783)	439,307	( 177,849)
Net assets at beginning of year	<u>1,936,686</u>	<u>80,707</u>	<u>2,017,393</u>	<u>2,195,242</u>
Net assets at end of year	<u>\$ 2,432,776</u>	<u>\$ 23,924</u>	<u>\$ 2,456,700</u>	<u>\$ 2,017,393</u>

See accompanying notes to financial statements.

**FRIENDS WITHOUT A BORDER**  
**Statement of Functional Expenses**  
For The Year Ended December 31, 2018  
(With comparative totals for 2017)

	Program services			Supporting services			Total 2017
	Hospital Support	LFHC	Program Development	Management And General	Fund-Raising	Total	
Salaries and fringe benefits	\$ 1,036	1,259,476		90,939	196,199	287,138	\$ 1,350,197
Professional service		2,400		49,106	1,000	50,106	53,128
Consultants & contractual services		1,804			3,725	3,725	17,743
Medical supplies		249,100	2,256				280,569
Office supplies and expenses		23,296		1,458	336	1,794	23,016
Equipment purchase		20,590		7,285	206	7,491	38,375
Postage and shipping		22,995	16	5,620	1,634	7,254	29,509
Printing		3,761		1,214	5,033	6,247	11,477
Telecommunication		3,786		3,152	1,341	4,493	9,403
Travel		27,826	15,545	35	29,416	29,451	51,611
Patient care		27,729					22,908
Advertising /promotions		16,515	503		1,849	1,849	15,664
Vehicle expenses		8,598					9,084
Occupancy		24,797					76,849
Insurance		7,034		49,832		49,832	10,693
Training		33,439		5,538		5,538	24,110
Grant awards	363,702			19,006	1,701	20,707	294,946
Depreciation & amortization		149,296					131,621
Miscellaneous		85,297	3,236	3,539	5,922	9,461	32,411
<b>Total Expenditures</b>	<b>\$ 364,738</b>	<b>1,967,739</b>	<b>21,556</b>	<b>236,722</b>	<b>248,362</b>	<b>485,084</b>	<b>\$ 2,483,313</b>

See accompanying notes to financial statements.

**FRIENDS WITHOUT A BORDER**  
**Statement of Cash Flows**  
For The Year Ended December 31, 2018  
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 439,307	(\$ 177,849)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	149,296	131,621
Decrease (increase) in operating assets:		
Investments	( 570,393)	
Grants and contributions receivable	( 26,643)	89,958
Inventory - prints, catalogs etc.	9,478	9,932
Prepaid expenses	7,119	( 4,799)
Other receivables	72,539	37,437
Security deposits		
Increase (decrease) in operating activities:		
Accrued expenses payable	231,229	43,036
Other liabilities		
Net cash provided by operating activities	<u>311,932</u>	<u>129,336</u>
<b>Cash flows from investing activities</b>		
Fixed assets transfer		
Fixed assets acquisitions	( 166,660)	( 97,536)
Investments		
Net cash used in investing activities	<u>( 166,660)</u>	<u>( 97,536)</u>
Net (decrease) in cash and cash equivalents	145,272	31,800
Cash and cash equivalents at beginning of year	<u>214,002</u>	<u>182,202</u>
Cash and cash equivalents at end of year	<u>\$ 359,274</u>	<u>\$ 214,002</u>

See accompanying notes to financial statements.



# **FRIENDS WITHOUT A BORDER**

## **Notes to Financial Statements**

December 31, 2018

### **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.

LFHC opened on February 11, 2015 with Outpatient services, Laboratory, Pharmacy, lecture rooms and library to teach pediatric medicine to the future leaders of the hospital, kitchen and laundry for families visiting the hospital and a vegetable garden to teach families how to prepare nutritious meals. 24-beds Inpatient Department opened in 2015. Operation Theater and Neonatal Unit opened 2016. Thalassemia and Development clinics opened in 2017 to better serve the needs at the Outpatient department. The Neonatal Unit was expanded in 2018 to respond the growing caseload. Replicating the same successful model of "Treatment + Education+ Prevention" achieved at AHC. Friends is aiming to expand LFHC's Outreach Programs to teach children and families health awareness and disease prevention practices, in addition to Homecare visits to patients who have chronic diseases or require follow-up after hospital visits.

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 two classes of net assets – with donor restrictions and without donor restrictions.

# FRIENDS WITHOUT A BORDER

## Notes to Financial Statements

December 31, 2018

### 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, 2018. 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 equipments 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 allocates 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. Salaries and fringe benefits are allocated on the basis of estimates of time and effort.

#### 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, 2018 financial statements for subsequent events through August 22, 2019, 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

December 31, 2018

### 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, 2018, cash totaling \$141,005 was deposited in foreign institutions.

### NOTE 4 PLEDGES RECEIVABLE

Hong Kong Foundation	\$ 53,718
Franks Household	50,000
Joester Household	9,587
International Society for Children for Cancer	5,000
Viacom/Paramount Network	10,000
Various contribution less than \$5,000	<u>46,987</u>
Total pledges receivable	<u>\$ 175,292</u>

### NOTE 5 FIXED ASSETS

LFHC building	\$ 1,091,950
Building Improvements	106,349
Friends visitor center	24,022
Office equipment, vehicle, furniture	131,650
Medical equipment	<u>663,124</u>
	2,017,096
Less: accumulated depreciation	<u>(441,328)</u>
Total fixed assets	<u>\$ 1,575,768</u>

### NOTE 6 COMMITMENT

The current lease for the New York office will expire on April 30, 2022. Total rent expense for the year ended December 31, 2018 was \$46,024.

Future minimum lease payment under this operating lease at December 31, 2018 are as follows:

<u>Year Ending December 31</u>	
2019	\$ 48,292
2020	50,184
2021	51,692
2022	<u>17,400</u>
Total	<u>\$ 167,568</u>

# FRIENDS WITHOUT A BORDER

## Notes to Financial Statements

December 31, 2018

### NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

	Balance 12/31/2017		FY18 Contributions		FY18 Releases		Balance 12/31/2018
<b>Restricted for AHC</b>							
The Jagclif Charitable Trust (Claire Musgrave)	\$	\$	6,500	\$	(6,500)	\$	
Fredrick A. Hessler and Kathleen A. Mundy Trust			25,000		(25,000)		
Donna Marshall (STIFEL).			5,000		(5,000)		
International Society for Children with Cancer			5,000		(5,000)		
Other			35,777		(35,777)		
<b>Restricted for TLC</b>							
Robert Ellis			20,000		(20,000)		
Dennis Martin			100,000		(100,000)		
Others			16,425		(16,425)		
<b>Restricted for LFHC</b>							
Suzanne Brown	1,865		5,000		(2,354)		4,511
Ptarmigan Charitable Foundation	15,680		71,170		(67,437)		19,413
World of Children Award	20,000				(20,000)		
Canada Embassy	5,069				(5,069)		
Stamos Capital Partners	20,000				(20,000)		
Sage Lowry			26,800		(26,800)		
Edith Lowery			7,550		(7,550)		
Iryani Teo			2,202		(2,202)		
Naomi's Bat Mitzvah Project			3,658		(3,658)		
Donald Kanak			8,080		(8,080)		
Andrea Sorani			2,500		(2,500)		
David Pritchard			2,000		(2,000)		
Jill L Watson			6,689		(6,689)		
Various Individual Donations	18,093		22,606		(40,699)		
Due from Japan			360,000		(360,000)		
Total net assets with donor restrictions	\$ 80,707	\$	731,957	\$	(788,740)	\$	23,924

### NOTE 8 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, meaning they are without donor-imposed restrictions or any other restrictions, within one year of the statement of financial position date is calculated as follows as of December 31, 2018:

Cash	\$ 359,274
Investment	570,393
Pledges and other receivables	<u>186,440</u>
	1,116,107
Less: net assets with donor restrictions	<u>(23,924)</u>
Total financial assets available for general expenditure within one year	<u>\$ 1,092,183</u>

# FRIENDS WITHOUT A BORDER

## Notes to Financial Statements

December 31, 2018

### NOTE 9 INVESTMENT

Investments are measured at fair value. U.S. GAAP establishes a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. The three levels of the fair value hierarchy are as follows:

- Level 1: Observable, quoted market prices for identical assets or liabilities in active markets.
- Level 2: Significant observable inputs, other than those included in Level 1, such as quoted market prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are inactive, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability based on the information available.

Investments consist of the following as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 80,924	\$	\$	\$ 80,924
Exchange Traded Funds	<u>489,469</u>	<u></u>	<u></u>	<u>489,469</u>
Total Investments	<u>\$ 570,393</u>	<u>\$</u>	<u>\$</u>	<u>\$ 570,393</u>

The investment earnings consist of the following as of December 31, 2018:

Interest and dividends	\$ 2,920
Net unrealized gains(loss) on investments	(90,829)
Net realized gains(loss) on investments	<u>(6,612)</u>
Total Investments Earnings(Loss)	<u>\$ (94,521)</u>