



SAMS Foundation

**SYRIAN AMERICAN MEDICAL SOCIETY
FOUNDATION**

Financial Statements

For the Year Ended December 31, 2018



**and
Report Thereon**



SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

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For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Syrian American Medical Society Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Syrian American Medical Society Foundation (the Foundation), which comprise 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 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 audit. We conducted our audit 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 the 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Syrian American Medical Society Foundation as of December 31, 2018, 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.

Marcum LLP

Washington, DC
January 30, 2020

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash and cash equivalents	\$ 5,349,532
Investments	1,035,138
Grants and contributions receivable	4,419,920
Medical student loans receivable, net	195,067
Prepaid expenses and other assets	29,003
Due from affiliate	<u>65,879</u>

TOTAL ASSETS \$ 11,094,539

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 129,434
Accrued payroll liabilities	10,121
Refundable advances	<u>1,764,211</u>

TOTAL LIABILITIES 1,903,766

Net Assets

Without donor restrictions	9,098,843
With donor restrictions	<u>91,930</u>

TOTAL NET ASSETS 9,190,773

TOTAL LIABILITIES AND NET ASSETS \$ 11,094,539

The accompanying notes are an integral part of these financial statements.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and foundation contributions	\$ 32,331,727	\$ -	\$ 32,331,727
Donated goods and services	14,182,935	-	14,182,935
Investment loss, net	(82,595)	-	(82,595)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	660,369	(660,369)	-
TOTAL REVENUE AND SUPPORT	47,092,436	(660,369)	46,432,067
EXPENSES			
Medical relief program	46,356,592	-	46,356,592
Supporting services:			
Management and general	641,621	-	641,621
Fundraising	1,472,736	-	1,472,736
Total Supporting Services	2,114,357	-	2,114,357
TOTAL EXPENSES	48,470,949	-	48,470,949
CHANGE IN NET ASSETS	(1,378,513)	(660,369)	(2,038,882)
NET ASSETS, BEGINNING OF YEAR	10,477,356	752,299	11,229,655
NET ASSETS, END OF YEAR	\$ 9,098,843	\$ 91,930	\$ 9,190,773

The accompanying notes are an integral part of these financial statements.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	<u>Supporting Services</u>			
	<u>Medical Relief Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages and benefits	\$ 17,445,931	\$ 449,876	\$ 579,310	\$ 18,475,117
Donated goods and services	14,182,935	-	-	14,182,935
Assistance in foreign operations	8,805,558	-	-	8,805,558
Medical equipment	1,484,635	-	-	1,484,635
Fuel	1,393,500	-	-	1,393,500
Office expenses	895,226	98,759	151,160	1,145,145
Travel and entertainment	626,740	15,491	87,977	730,208
Office rent and utilities	651,467	2,990	4,560	659,017
Contracted services	484,608	69,983	27,902	582,493
Postage and printing	29,095	368	345,943	375,406
Advertising	-	-	141,316	141,316
Conference, convention and meetings	-	4,154	134,568	138,722
Equipment	121,250	-	-	121,250
Scholarships, dues, subscription & membership	112,636	-	-	112,636
Storage and shipping	73,775	-	-	73,775
Information, technology and software	49,236	-	-	49,236
TOTAL EXPENSES	<u>\$ 46,356,592</u>	<u>\$ 641,621</u>	<u>\$ 1,472,736</u>	<u>\$ 48,470,949</u>

The accompanying notes are an integral part of these financial statements.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (2,038,882)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized loss on investments	89,715
Changes in assets and liabilities:	
Grants and contributions receivable	(2,141,266)
Prepaid expenses and other assets	(1,840)
Accounts payable	(201,483)
Accrued payroll liabilities	(73,395)
Refundable advances	(989,474)
Due from affiliate	(118,862)
	<u>(5,475,487)</u>
NET CASH USED IN OPERATING ACTIVITIES	
	<u>(5,475,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(1,192,539)
Proceeds from sale of investments	136,735
Issuance of medical student loans	(38,500)
Repayment of medical student loans	36,700
	<u>(1,057,604)</u>
NET CASH USED IN INVESTING ACTIVITIES	
	<u>(1,057,604)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,533,091)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,882,623</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,349,532</u></u>

The accompanying notes are an integral part of these financial statements.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies

Organization

The Syrian American Medical Society Foundation (the Foundation) is a nonprofit, nonpolitical educational and humanitarian organization established in 2007. The mission of the Foundation is to be a global medical relief organization that is working on the front lines of crisis relief in Syria, in neighboring countries and beyond to save lives and alleviate suffering. The Foundation proudly provides medical care and treatment to every patient in need. The Foundation also provides assistance and loans to medical students and interns of Syrian descent. The activities of the Foundation are mostly funded through grants and contributions and through donated goods and services.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are prepared using the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities of three months or less. Cash and cash equivalents held for investment purposes are considered investments.

Grants and Contributions Receivable

Grants and contributions receivable represent program expenditures incurred and submitted for approval, in excess of the receipt of funds from the grantor organizations. Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value. Grants and contributions receivable that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. All grants and contributions receivable were collectible in less than one year and fully collectible as of December 31, 2018.

Medical Student Loans Receivable

Medical student loans receivable represent the remaining balance due on small loans made to many medical students. The original loans ranged from \$1,000 to \$4,000 each, and installment payments are recorded as they are received. The face amount of medical student loans receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses, determined principally on the basis of historical experience and allowances for specifically identified delinquent accounts. All accounts, or portions thereof, that are deemed uncollectible, or that require an excessive collection cost, are written off to the allowance for doubtful accounts. The Foundation has recorded an allowance of \$50,000 as of December 31, 2018, on the outstanding receivables to allow for long-outstanding uncollectible loans.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of equities and mutual funds. Investments are recorded in the accompanying financial statements at their fair value, as based upon quoted market prices, as of December 31, 2018. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales are reflected on a trade-date basis. Interest, dividends and realized and unrealized gains or losses are recorded when earned. Changes in the fair value of the portfolio are recorded as unrealized gains or losses. Donated investments are recorded as contributions based on their fair value at the date of donation.

Fair Value of Financial Instruments

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Foundation has categorized its applicable assets and liabilities measured at fair value into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As of and for the year ended December 31, 2018, only the Foundation's investments, as described in Note 2 to these financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation of furniture, fixtures, equipment and software is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income or expense in the accompanying statement of

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SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. The Foundation did not have any capitalized property and equipment as of December 31, 2018.

Classification of Net Assets

The Foundation's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Foundation at the discretion of the Foundation's management and the Board of Directors (the Board).
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2018, the Foundation had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

The Foundation receives contributions from various sources, including grants from governmental agencies and pass-through organizations. The Foundation reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and on grants for which billings have not been presented to, or collected from, the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. Amounts received in advance are recorded as refundable advances in the accompanying statement of financial position.

Donated Goods and Services

In-kind contributions are recognized both as revenue and support and expenses in the accompanying statement of activities at their estimated fair value as provided by the donor at the date of donation. In-kind contributions are predominantly medical supplies, equipment and services provided by doctors, nurses and other medical professionals.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of the Foundation are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. All shared costs are allocated based on an actual time spent, which is captured with timesheets.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 for nonprofit organizations. The Foundation has adjusted the presentation of these statements accordingly.

2. Investments

The following table summarizes the Foundation's assets measured at fair value on a recurring basis, aggregated by type and fair value hierarchy level within which those measurements were made:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equities	\$ 641,522	\$ 641,522	\$ -	\$ -
Mutual funds – fixed income	<u>393,616</u>	<u>393,616</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,035,138</u>	<u>\$ 1,035,138</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year ended December 31, 2018

2. Investments (continued)

The Foundation used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Equities and mutual funds – fixed income – Value is based on quoted prices in active markets.

3. Net Assets

As of December 31, 2018, net assets with donor restrictions in the amount of \$91,930 were restricted for relief efforts in Jordan.

4. Related Party Transactions

The Syrian American Medical Society (SAMS) established the Foundation as a separate charitable corporation, and selected members and staff of SAMS provide services to the Foundation. SAMS charged the Foundation \$133,517 in 2018 for time and expenses incurred by SAMS's staff for the charitable operations, and other activities between SAMS and the Foundation, of which \$65,879 was unpaid at the end of 2018 and is recorded as due from affiliate in the accompanying statement of financial position.

5. Commitments and Contingencies

Office Leases

The Organization entered into a lease for office space in Washington, D.C., which expires August 31, 2023. The lease requires monthly payments. Under GAAP, all rental payments are recognized on a straight-line basis over the term of the lease. The Foundation also leases office spaces in Jordan and Turkey for its field offices. The office space in Turkey is on a month-to-month basis whereas the Foundation entered into a three-year lease for two office spaces in Jordan effective November 1, 2017, at an annual rent of 33,000 Jordanian Dinars each equivalent to \$46,415. The following is a schedule, by year, of the future minimum rental payments under the operating leases:

2019	\$ 198,718
2020	195,553
2021	161,579
2022	166,426
2023	<u>114,279</u>
Total	<u>\$ 836,555</u>

Rent expense totaled \$190,106 for the year ended December 31, 2018.

Continued

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year ended December 31, 2018

5. Commitments and Contingencies (continued)

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2018, the balance exceeded the FDIC maximum insured limit by approximately \$3,176,000. The Foundation monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Concentration of Revenue Risk

The Foundation earned revenue totaling \$16,062,152 from contracts with various departments of the United Nations, which represents approximately 35% of the total revenue and support recognized by the Foundation for the year ended December 31, 2018. Receivables from these departments totaled \$2,564,682, which represents approximately 58% of the total grants and contributions receivable, as of December 31, 2018. If a significant reduction in the level of the funding from any of these departments should occur, it might have a significant effect on the Foundation's programs.

Foreign Operations

The Foundation has field offices in Turkey and Jordan for its programmatic purposes. The future results of the Foundation's programs could be adversely affected by a number of potential factors, such as changes in foreign banking laws or changes in the political climate of these countries. The Foundation maintains a majority of its cash in these foreign field offices in U.S. dollars. As of December 31, 2018, the cash in foreign field offices totaled \$1,304,986, which represents approximately 12% of the Foundation's total assets. The cash held in foreign field offices is held by foreign financial institutions and is not insured by FDIC.

6. Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Foundation's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2018, were as follows:

Cash and cash equivalents	\$ 5,349,532
Grants and contributions receivable	4,419,920
Investments	<u>1,035,138</u>
Total Financial Assets Available Within One Year	10,804,590
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	<u>(91,930)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 10,712,660</u>

Continued

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year ended December 31, 2018

6. Availability and Liquidity (continued)

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Foundation's cash flow related to the Foundation's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. The Foundation can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs.

7. Donated Goods and Services

During the year ended December 31, 2018, the Foundation recognized support in the form of in-kind goods and services as follows:

Donated medical equipment and supplies	\$ 11,192,855
Donated medical services	<u>2,990,080</u>
Total Donated Goods and Services	<u>\$ 14,182,935</u>

8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from the payment of taxes on income other than net unrelated business income. No provision for income taxes is required for the year ended December 31, 2018, as the Foundation had no net unrelated business income.

The Foundation has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation evaluated its uncertainty in income taxes for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2014 through 2016 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns; however, there are currently no examinations in progress. The Foundation's policy is to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2018, the Foundation had no accrual for interest and/or penalties.

SYRIAN AMERICAN MEDICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year ended December 31, 2018

9. Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, events and transactions through January 30, 2020, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.