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**AUDITOR'S REPORT**

*Prepared for*

**NORTH SOUTH FOUNDATION  
(An Illinois Not for profit Organization)  
NOVEMBER 2018**

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**ANIL MALHOTRA & CO. LTD.**  
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The Board of Directors  
North South Foundation  
2 Marissa Court  
Burr Ridge, Illinois 60527

**Report on Financial Statements:**

We have audited the accompanying financial statements of North South Foundation which comprises the statement of financial position arising from cash transactions of North South Foundation as of April 30, 2018, the related statements of activities, functional expenses, cash flows for the years 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. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements or not.

An audit involves performing the 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 foundation'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 organization'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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As described in Note 2, these financial statements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Opinion:**

In our opinion, the financial statements referred to above read with notes #1 to 20 thereon present fairly, in all material respects, the financial position arising from cash transactions of North South Foundation, as of April 30, 2018, the changes in its net assets and its cash flows for the years then ended on the basis of accounting described in Note 2.



Niles Topiwala, CPA  
License No: 065.022555

November 27, 2018

**North South Foundation**  
**Statements of Financial Position**  
**April 30**

<b>ASSETS</b>		<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Current Assets</b>			
Cash and Cash Equivalents	Note: 4	\$ 1,267,961	\$ 4,079,150
<b>Total Current Assets</b>		<u>1,267,961</u>	<u>4,079,150</u>
Investment in Marketable Securities	Notes: 12-14	9,175,127	5,094,580
<b>TOTAL ASSETS</b>		<u><b>\$ 10,443,088</b></u>	<u><b>\$ 9,173,730</b></u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>		-	-
<b>Net Assets</b>			
Unrestricted - Undesignated		\$ 4,859,650	\$ 3,870,583
Unrestricted - Board Designated	Note 10	3,000,000	\$ 3,000,000
Unrestricted - Operating Reserves	Note 10	600,000	\$ 600,000
Unrestricted Fund	Notes: 9, 10, 11	<u>8,459,650</u>	<u>7,470,583</u>
Temporarily Restricted Fund	Notes: 6, 8, 11	1,682,225	1,426,934
Permanently Restricted Fund	Notes: 7, 11	<u>301,213</u>	<u>276,213</u>
<b>Total Net Assets</b>		<u>10,443,088</u>	<u>9,173,730</u>
<b>Total LIABILITIES AND NET ASSETS</b>		<u><b>\$ 10,443,088</b></u>	<u><b>\$ 9,173,730</b></u>

The accompanying notes are an integral part of these statements.

**North South Foundation**  
**Statement of Activities**  
**Year Ended April 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Other Revenue</b>				
Public Support:				
Public Support - Direct	5A & 5B \$ 219,558	\$ 13,501	\$ 25,000	\$ 258,059
Public Support - Indirect	5A & 5B 847,466			847,466
<b>Total Public Support Revenue</b>	<u>\$ 1,067,024</u>	<u>\$ 13,501</u>	<u>\$ 25,000</u>	<u>\$ 1,105,525</u>
Program Service Revenue:				
Educational Contest & Workshop	5A & 5B \$ 423,733			\$ 423,733
Meals and Educational Material	5A & 5B 51,579			51,579
<b>Total Program Service Revenue</b>	<u>\$ 475,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,312</u>
Investment Income:				
Interest	\$ 4,905	\$ 412		\$ 5,317
Dividend	57,436	24,340		81,776
Dividend - Capital Gain Distributions	36,776	16,362		53,138
Realized Capital Gains	299,163	226,676		525,839
<b>Total Investment Income</b>	<u>\$ 398,280</u>	<u>\$ 267,790</u>	<u>\$ -</u>	<u>\$ 666,070</u>
Net assets released from restrictions	\$ 26,000	\$ (26,000)		\$ -
<b>Total Public Support and Other Revenues</b>	<u>\$ 1,966,616</u>	<u>\$ 255,291</u>	<u>\$ 25,000</u>	<u>\$ 2,246,907</u>
<b>Distributions and Expenses</b>				
Program Service Expenses				
Grants and Distributions	\$ 669,000			\$ 669,000
Other Program Services	299,220			299,220
<b>Total Program Service Expenses</b>	<u>\$ 968,220</u>			<u>\$ 968,220</u>
General and Administrative	9,329			9,329
<b>Total Distributions and Expenses</b>	<u>\$ 977,549</u>			<u>\$ 977,549</u>
<b>Change in Net assets</b>	<u>\$ 989,067</u>	<u>\$ 255,291</u>	<u>\$ 25,000</u>	<u>\$ 1,269,358</u>
Net assets at beginning of year	7,470,583	1,426,934	276,213	9,173,730
<b>Net assets at end of year</b>	<u>\$ 8,459,650</u>	<u>\$ 1,682,225</u>	<u>\$ 301,213</u>	<u>\$ 10,443,088</u>

The accompanying notes are an integral part of these statements.

**North South Foundation**  
**Statement of Functional Expenses**  
**Year Ended April 30, 2018**

<b>Functional Expenses</b>	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Total</b>
<b>Salaries &amp; Related Expenses</b>	-	-	\$ -
<b>Contract Services Expenses:</b>			
Accounting Fees		\$ 3,000	\$ 3,000
Outside Contract Services	\$ 10,315		\$ 10,315
<b>Total Contract Services Expenses</b>	<b>\$ 10,315</b>	<b>\$ 3,000</b>	<b>\$ 13,315</b>
<b>Operations Expenses:</b>			
Supplies	\$ 23,093		\$ 23,093
Postage & Mailing Service	\$ 563	2,555	3,119
Printing and Copying	\$ 29,704	3,439	33,143
Telephone	\$ 333		333
Trophies & Medals	\$ 30,824		30,824
Event Meals	\$ 45,956		45,956
<b>Total Operations Expenses</b>	<b>\$ 130,475</b>	<b>\$ 5,994</b>	<b>\$ 136,469</b>
<b>Facility &amp; Equipment Expenses:</b>			
Rent - Real Estate	\$ 81,689		\$ 81,689
Rent - Furniture & Equipment	\$ 738		738
<b>Total Facility &amp; Equipment Expenses</b>	<b>\$ 82,427</b>	<b>\$ -</b>	<b>\$ 82,427</b>
<b>Travel Expenses:</b>			
Airfare	\$ 13,138		\$ 13,138
Hotels and Car rentals	\$ 7,898		7,898
<b>Total Travel Expenses</b>	<b>\$ 21,036</b>	<b>\$ -</b>	<b>\$ 21,036</b>
<b>Other Expenses:</b>			
Bank and credit card fees	\$ -	\$ 297	\$ 297
Insurance	\$ 2,909		2,909
Outside Computer Services	\$ 49,953		49,953
Other Business Expenses	\$ 2,106	38	2,144
<b>Total Other Expenses</b>	<b>\$ 54,968</b>	<b>\$ 335</b>	<b>\$ 55,302</b>
<b>Total Functional Expenses</b>	<b>\$ 299,220</b>	<b>\$ 9,329</b>	<b>\$ 308,549</b>

The accompanying notes are an integral part of these statements.

**North South Foundation**  
**Statements of Cash Flows**  
**Years Ended April 30**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,269,358	\$ 1,285,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized Investment Gain	\$ (525,839)	\$ -
Contributions restricted for endowment	\$ (25,000)	\$ (12,013)
Net cash provided by operating activities	<u>\$ 718,519</u>	<u>1,273,957</u>
<b>Cash flows from investment activities</b>		
Investments in Securities	\$ (3,554,708)	\$ (239,915)
Net cash used by investment activities	<u>\$ (3,554,708)</u>	<u>\$ (239,915)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for endowments	\$ 25,000	12,013
Net cash provided by financing activities	<u>\$ 25,000</u>	<u>12,013</u>
<b>Net change in cash and cash equivalents</b>	\$ (2,811,189)	1,046,055
Cash and cash equivalents, beginning of year	\$ 4,079,150	3,033,095
Cash and cash equivalents, end of year	<u>\$ 1,267,961</u>	<u>\$ 4,079,150</u>

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



**North South Foundation**  
**Notes to Financial Statements**  
**Year Ended April 30, 2018**

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(1) Purpose of Organization:

The organization was founded in 1989 for operating exclusively for charitable and educational purposes, or such other purposes as may be provided in section 501(c)(3) of the Internal Revenue Code including, for such purposes, the granting of scholarships to qualified developing country students who otherwise could not afford to further their education. Current funds are used to fund educational contests in the US, scholarships to students both in USA and India and other charitable purposes.

(2) Basis of Accounting:

The foundation maintains its books and records on the cash basis of accounting and as such the financial statements have been prepared using the same basis. Under the cash basis of accounting, revenues and related assets are recognized when received rather than when earned and expenses are reconized when paid rather than when the obligation is incurred.

(3) Valuation of non cash contributions:

The foundation values the non cash contribution by donors at the market value on the date the contribution is received even if the actual cost to the foundation is nil.

(4) Cash and Cash Equivalents:

The Foundation treats cash in hand, cash at banks and investment in money market accounts as cash equivalent. The breakdown by account as of April 30 is as follows:

	<u>30-Apr-18</u>	<u>30-Apr-17</u>
General Bank Account	91,666	388,897
Educational Contests Bank Account	104,204	90,883
Educational Materials Bank Account	39,567	34,312
General Money Market Account	1,003,757	3,532,999
Scholarship Money Market Account	20,428	15,835
Donor Advised Money Market Account	7,381	13,655
Endowment Money Market Account	958	2,569
Total	<u>1,267,961</u>	<u>4,079,150</u>

(5) Indirect Public Support:

(a) The Foundation allocates two thirds of contributions received from various educational contests and workshops as charitable contributions and treats the remaining as non charitable contributions. 100% of revenues received for meals and educational materials are considered program service revenues and there is no indirect support in those payments.

(b) The foundation has received public support and program service revenue totalling \$1,580,837 and \$1,615,712 during the years ended on April 30,2018 and April 30,2017 respectively. This revenue has been classified by management into public support direct and indirect, educational contests and workshops, meals and educational materials as per the computerized program developed by programmers. Management is responsible for proper classification.

(6) Donor Advised Fund:

This is a restricted fund managed by the Foundation based on the directives of the donors. Based on the advise of the donors, the Foundation makes disbursements to charities of their choice provided the recipients meet necessary guidelines.

(7) Endowment Fund:

This is a restricted fund in which the Foundation can only use income for disbursements in charitable purposes. Donors contribute set amount of principal to the Foundation with the stipulation that the foundation will disburse the income for a stated purpose. For example, a donor can currently set up a \$5,000 endowment fund for one scholarship each year in perpetuity.

(8) US Scholarship Fund:

This is a restricted fund set up to meet the obligation of the scholarships awarded to the national finals champions each year. The Foundation started educational contests in 1993. The scholarship is redeemable by the awardees during the freshman year of college and is payable to the awardee through their institutions.

(9) General Fund:

This is mostly unrestricted fund where funds are deposited unless they belong to the restricted funds stated above or the donor has imposed restriction on the use of funds contributed.

(10) Board Designated Fund:

This fund consists of two components. First component is a corpus fund in the amount of \$3M to account for the liability the Foundation has towards the current scholarship holders for the duration of their study until graduation. Second component is a contingency fund in the amount of \$600,000 to cover any shortfalls in the working capital needs.

(11) Classification of Net Assets:

During the FY 09-10, management has classified its net assets in three categories:

- (1) Unrestricted Funds
- (2) Temporarily Restricted Funds (Includes mainly scholarships and Donor Advised Funds)
- (3) Permanently Restricted Funds ( Endowment fund)

Opening balances of these funds as on May 01, 2009 has been taken in financial statements as certified by management.

(12) Investment in marketable securities (stocks and mutual funds) have been shown in the financial statements at cost.

(13) Investment in marketable securities consists of the investments in the following accounts maintained by the Foundation.

	(April 30, 2018)		(April 30, 2017)	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Donor Advised Fund	1,576,293	1,982,519	1,314,729	1,848,206
Endowment Fund	461,538	541,962	399,436	501,413
Scholarship Fund	217,991	247,421	198,200	240,034
General Fund	6,919,305	7,187,845	3,182,215	3,549,593
Total	<u>9,175,127</u>	<u>9,959,746</u>	<u>5,094,580</u>	<u>6,139,246</u>

(14) Foundation does not recognize unrealized gain or loss on market value of its investments consistent with

the cash basis of accounting. As such, no provision for unrealized gain of \$784,619 as of April 30, 2018 and the unrealized gain of \$1,044,666 as of April 30, 2017 is reflected in the financial statements.

(15) Grants and distributions breakdown:

	30-Apr-18	30-Apr-17
1. NSF India	650,000	300,000
2. Scholarships in USA	5,500	5,750
3. Other programs in India	8,000	
4. Other programs in USA	<u>5,500</u>	<u>2,000</u>
Total	<u>669,000</u>	<u>307,750</u>

(16) Concentrations:

Foundation maintains cash and cash equivalents in bank deposit accounts and money market accounts which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

(17) Subsequent events:

Management has performed an analysis of the activities and transactions subsequent to April 30, 2018 to determine the need for any adjustment to and/or disclosures within the audited financial statements for the year ended April 30, 2018. Management has performed their analysis through 11/09/2018 the date the financial statements were available to be issued.

(18) Related Party Transactions:

There are no related party transactions during the year.

(19) Tax Liability:

North South Foundation is a 501(c)(3) tax exempt organization and as such no income tax liability has been accounted for.

(20) Use of Estimates:

Management has not made any estimate in preparation of financial statements for the year ended April 30, 2018 and April 30, 2017 respectively in accordance with cash basis of accounting.