

JOHN DAU FOUNDATION

**Financial Statements as of
December 31, 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

October 28, 2011

To the Board of Directors
John Dau Foundation:

We have audited the accompanying balance sheet of John Dau Foundation (the Foundation, a New York not-for-profit organization) as of December 31, 2010, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated November 11, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John Dau Foundation as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Exhibit I is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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JOHN DAU FOUNDATION

BALANCE SHEET DECEMBER 31, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 165,877	\$ 148,139
Contributions receivable	-	15,151
Grant receivable	52,766	78,406
Prepaid expenses	<u>12,481</u>	<u>2,285</u>
Total current assets	231,124	243,981
PROPERTY AND EQUIPMENT	<u>43,306</u>	<u>27,078</u>
	<u>\$ 274,430</u>	<u>\$ 271,059</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,449	\$ 9,490
Deferred revenue	<u>25,000</u>	<u>-</u>
Total current liabilities	<u>36,449</u>	<u>9,490</u>
NET ASSETS:		
Unrestricted	224,174	244,048
Temporarily restricted	<u>13,807</u>	<u>17,521</u>
Total net assets	<u>237,981</u>	<u>261,569</u>
	<u>\$ 274,430</u>	<u>\$ 271,059</u>

The accompanying notes are an integral part of these statements.

JOHN DAU FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010</u>	<u>2009</u>
REVENUE:				
Contributions	\$ 194,279	\$ -	\$ 194,279	\$ 325,063
Grant income	337,748	-	337,748	236,901
Interest income	187	-	187	2,124
Net assets released from restrictions	<u>3,714</u>	<u>(3,714)</u>	<u>-</u>	<u>-</u>
	<u>535,928</u>	<u>(3,714)</u>	<u>532,214</u>	<u>564,088</u>
EXPENSES:				
Program services	411,251	-	411,251	357,807
Management and administrative	99,095	-	99,095	97,990
Fundraising	<u>45,456</u>	<u>-</u>	<u>45,456</u>	<u>28,004</u>
	<u>555,802</u>	<u>-</u>	<u>555,802</u>	<u>483,801</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES IN NET ASSETS	(19,874)	(3,714)	(23,588)	80,287
OTHER CHANGE IN NET ASSETS:				
Transfer of net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,528)</u>
CHANGE IN NET ASSETS	(19,874)	(3,714)	(23,588)	62,759
NET ASSETS - beginning of year	<u>244,048</u>	<u>17,521</u>	<u>261,569</u>	<u>198,810</u>
NET ASSETS - end of year	<u>\$ 224,174</u>	<u>\$ 13,807</u>	<u>\$ 237,981</u>	<u>\$ 261,569</u>

The accompanying notes are an integral part of these statements.

JOHN DAU FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010 (With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (23,588)	\$ 62,759
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	11,721	894
Donation of common stock	(8,188)	(5,140)
Changes in:		
Contributions receivable	15,151	(14,201)
Grant receivable	25,640	(78,406)
Prepaid expenses	(10,196)	2,715
Accrued expenses payable	1,959	(20,043)
Deferred revenue	<u>25,000</u>	<u>-</u>
Net cash flow from operating activities	37,499	(51,422)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(27,949)	(26,212)
Proceeds from sale of other investments	<u>8,188</u>	<u>15,274</u>
Net cash flow from investing activities	<u>(19,761)</u>	<u>(10,938)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	17,738	(62,360)
CASH AND CASH EQUIVALENTS - beginning of year	<u>148,139</u>	<u>210,499</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 165,877</u>	<u>\$ 148,139</u>

The accompanying notes are an integral part of these statements.

JOHN DAU FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. THE ORGANIZATION

John Dau Foundation (the Foundation) formerly known as American Care For Sudan Foundation, Inc. was started by concerned individuals familiar with the John Dau survival story (“God Grew Tired of Us”) and interested in providing health services for the people of Southern Sudan, where none previously existed. In 2007, the Foundation constructed the Duk Lost Boys Clinic in John’s home village. While the clinic belongs to the people of Southern Sudan, the Foundation maintains and operates it, working in conjunction with the government and other non-government organizations, with the goal to handover operations to the Ministry of Health and local authorities as they develop capacity. The Foundation has U.S. Department of Treasury clearance for Humanitarian Aid to a United Nations Sanctioned Country and is registered with the Government of South Sudan as a humanitarian non-government organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

Comparative 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 Foundation’s financial statements for the year ended December 31, 2009, from which the summarized information was obtained.

Financial Reporting

The Foundation reports its activities and the related net assets using the following net asset classifications:

- **Unrestricted**

Unrestricted net assets include funds available for the Foundation's operating activities. The Organization recognizes restricted contributions for which the restrictions are met in the same year the contributions were received as unrestricted revenue.

- **Temporarily Restricted**

Temporarily restricted net assets include resources that have been donated to the Foundation subject to restrictions as defined by the donor. These donations are received for the Foundation’s needs. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposit and money market accounts. At times, the balances in these accounts may exceed federally insured limits. The Foundation has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Property and Equipment

Property and equipment purchases are recorded at cost if purchased or at the fair value at the date of donation. Depreciation expense is recorded on a straight-line basis over their estimated useful lives, which range from three (3) to five (5) years. The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000 with an estimated useful life in excess of two years.

Contributions

Contributions are recorded at the time the cash or pledge is received.

Revenue and Grants Receivable

The Foundation recognizes revenue from funding sources as the related costs are incurred. A receivable is recorded to the extent revenue earned exceeds cash receipts. Deferred revenue is recorded to the extent cash receipts exceed revenue earned. The Foundation maintains an allowance for doubtful accounts based on a historical analysis of collections related to services provided under these contracts and a review of outstanding accounts at year-end. At December 31, 2010, it was determined that The Foundation did not require an allowance for doubtful accounts. There was also no allowance at December 31, 2010 and 2009.

The Foundation receives grant income from an international relief organization. Grant income from this organization totaled \$277,120 and \$236,901 for the years 2010 and 2009, respectively. Grant receivable from this organization totaled \$52,766 and \$78,406 at December 31, 2010 and 2009, respectively.

Foreign Currency Transactions

The Foundation's functional currency is the U.S. dollar. Operations conducted in the Sudan are transacted in U. S. dollars. Therefore, there are no reportable foreign currency translation gains or losses.

Donated Services

Volunteers have donated significant amounts of time in support of the Foundation's activities. However, the value of these services is not reflected in the accompanying financial statements, as they do not meet the criteria for recognition set forth under generally accepted accounting principles.

Income Tax Status

The Foundation is a not-for-profit organization and is exempt from income taxes as an organization qualified under Section 501(c)(3). The Foundation has been classified by the Internal Revenue Service as an entity that is not a private foundation.

For tax-exempt entities, tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of December 31, 2010, the Foundation does not have a liability for unrecognized tax benefits. The Foundation files informational tax returns in the U.S. federal jurisdiction and New York State. The tax years that remain subject to U.S. federal tax examinations are generally the previous three years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Vehicle	\$ 50,549	\$ 23,500
Equipment	<u>5,372</u>	<u>4,472</u>
	55,921	27,972
Less: Accumulated depreciation	<u>(12,615)</u>	<u>(894)</u>
Total property, plant and equipment	<u>\$ 43,306</u>	<u>\$ 27,078</u>

Depreciation expense recorded in 2010 and 2009 amounted to \$11,721 and \$894 respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

The Foundation had net assets restricted for the following purposes at December 31:

	<u>2010</u>	<u>2009</u>
Internet services	\$ 1,807	\$ 5,521
Satellite maintenance and upgrades	<u>12,000</u>	<u>12,000</u>
	<u>\$ 13,807</u>	<u>\$ 17,521</u>

Temporarily restricted net assets were released from restrictions as follows:

	<u>2010</u>	<u>2009</u>
Internet services	<u>\$ 3,714</u>	<u>\$ -</u>
	<u>\$ 3,714</u>	<u>\$ -</u>

5. TRANSFER OF NET ASSETS

During 2009, it was determined that \$17,528 of donations that were transferred from the John Dau Sudan Foundation (a predecessor organization) in 2008 had been restricted by the donors for the promotion of education in Southern Sudan. These funds were transferred by the Foundation in 2009 to a separate tax-exempt entity to ensure that the funds were expended for the intended purpose. There was no transfer of net assets in 2010.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2011, which is the date the financial statements were available to be issued.

JOHN DAU FOUNDATION**UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
UNRESTRICTED REVENUE:		
Contributions	\$ 194,279	\$ 307,542
Grant income	337,748	236,901
Interest	187	2,124
Net assets released from restrictions	<u>3,714</u>	<u>-</u>
Total unrestricted revenue	<u>535,928</u>	<u>546,567</u>
EXPENSES:		
Program services -		
Salaries	176,491	124,435
Transportation	80,941	100,077
Supplies	57,203	48,601
Contract services	-	43,000
Facilities and equipment	47,613	23,849
Telephone	4,091	13,772
Construction materials	20,650	2,142
Other operating expenses	<u>24,262</u>	<u>1,931</u>
Total program services	<u>411,251</u>	<u>357,807</u>
Supporting services -		
Management expenses		
Salaries and benefits	32,866	49,643
Office expense	9,790	18,432
Professional fees	26,475	14,250
Contract services	12,823	8,816
Telephone	5,130	4,829
Insurance	290	1,126
Depreciation expense	<u>11,721</u>	<u>894</u>
Total management and administrative services	99,095	97,990
Fundraising expenses	<u>45,456</u>	<u>28,004</u>
Total supporting services	<u>144,551</u>	<u>125,994</u>
Total expenses	<u>555,802</u>	<u>483,801</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER CHANGES IN NET ASSETS	<u>\$ (19,874)</u>	<u>\$ 62,766</u>

The accompanying notes are an integral part of this exhibit.