

**JOHN DAU FOUNDATION**

**Financial Statements as of  
December 31, 2009  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

November 11, 2010

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, 2009, 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 2008 financial statements and, in our report dated September 24, 2009, 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, 2009, 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.

171 Sully's Trail  
Pittsford, NY 14534  
p (585) 381-1000  
f (585) 381-3131

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

[www.bonadio.com](http://www.bonadio.com)

# JOHN DAU FOUNDATION

## BALANCE SHEET DECEMBER 31, 2009

(With Comparative Totals for 2008)

---

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 148,139	\$ 210,499
Contributions receivable	15,151	950
Grant receivable	78,406	-
Prepaid expenses	2,285	5,000
Investments	-	10,134
	<hr/>	<hr/>
Total current assets	243,981	226,583
PROPERTY AND EQUIPMENT	<hr/>	<hr/>
	27,078	1,760
	<hr/>	<hr/>
	\$ 271,059	\$ 228,343
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,490	\$ 29,533
	<hr/>	<hr/>
Total current liabilities	9,490	29,533
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	244,048	198,810
Temporarily restricted	17,521	-
	<hr/>	<hr/>
Total net assets	261,569	198,810
	<hr/>	<hr/>
	\$ 271,059	\$ 228,343
	<hr/>	<hr/>

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, 2009

(With Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>2008</u>
REVENUE:				
Contributions	\$ 307,542	\$ 17,521	\$ 325,063	\$ 434,095
Grant income	236,901	-	236,901	-
Interest income	<u>2,124</u>	<u>-</u>	<u>2,124</u>	<u>931</u>
	<u>546,567</u>	<u>17,521</u>	<u>564,088</u>	<u>435,026</u>
EXPENSES:				
Program services	357,807	-	357,807	257,952
Management and administrative	97,990	-	97,990	43,270
Fundraising	<u>28,004</u>	<u>-</u>	<u>28,004</u>	<u>4,913</u>
	<u>483,801</u>	<u>-</u>	<u>483,801</u>	<u>306,135</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES IN NET ASSETS	62,766	17,521	80,287	128,891
OTHER CHANGE IN NET ASSETS:				
Transfer of net assets	<u>(17,528)</u>	<u>-</u>	<u>(17,528)</u>	<u>8,727</u>
CHANGE IN NET ASSETS	45,238	17,521	62,759	137,618
NET ASSETS - beginning of year	<u>198,810</u>	<u>-</u>	<u>198,810</u>	<u>61,192</u>
NET ASSETS - end of year	<u>\$ 244,048</u>	<u>\$ 17,521</u>	<u>\$ 261,569</u>	<u>\$ 198,810</u>

The accompanying notes are an integral part of these statements.

# JOHN DAU FOUNDATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009 (With Comparative Totals for 2008)

---

	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 62,759	\$ 137,618
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	894	-
Donation of common stock	(5,140)	(10,134)
Changes in:		
Contributions receivable	(14,201)	(950)
Grant receivable	(78,406)	-
Prepaid expenses	2,715	(5,000)
Accounts payable	<u>(20,043)</u>	<u>19,257</u>
Net cash flow from operating activities	(51,422)	140,791
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(26,212)	(1,760)
Proceeds from sale of other investments	<u>15,274</u>	<u>-</u>
Net cash flow from investing activities	<u>(10,938)</u>	<u>(1,760)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(62,360)</u>	<u>139,031</u>
CASH AND CASH EQUIVALENTS - beginning of year	<u>210,499</u>	<u>71,468</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 148,139</u>	<u>\$ 210,499</u>

The accompanying notes are an integral part of these statements.

# JOHN DAU FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

---

### 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, 2008, 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)

### **Financial Instruments Measured at Fair Value**

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### **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.

### **Investments**

Investments are recorded at fair value at December 31, 2008. There were no investments at December 31, 2009.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements.

### **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, 2009, it was determined that The Foundation did not require an allowance for doubtful accounts. There was no grant activity in 2008.

### **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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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) of the Internal Revenue Code. The Foundation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN 48 is now known as ASC Section 740). This interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. 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. ASC Section 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Foundation adopted the provisions of ASC Section 740 on January 1, 2009 and at the date of adoption and as of December 31, 2009 there was no impact on the Foundation's financial statements. At the date of adoption and as of December 31, 2009, 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 Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years through 2006.

### 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.

### Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the current year presentation.

## 3. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31:

	<u>Level 3 Inputs</u>	
	<u>2009</u>	<u>2008</u>
Investments		
Common stock	<u>\$ -</u>	<u>\$ 10,134</u>

The Foundation's valuation of the common stock held is based upon the most current available appraisal per-share value, as these shares are not publicly traded. The stock was redeemed February 2009 in the amount of \$10,134.

### 3. FAIR VALUE MEASUREMENTS (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. While the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different value measurement at December 31, 2008.

There were no changes to the valuation techniques during 2009 or 2008.

The fair value of the Foundation's level 3 net assets changed as follows for the year ended December 31:

	<u>2009</u>	<u>2008</u>
Balance at January 1	\$ 10,134	\$ -
Receipt of stock donation	22,977	10,134
Sale of stock	<u>(33,111)</u>	<u>-</u>
Investments:		
Common stock	<u>\$ -</u>	<u>\$ 10,134</u>

### 4. INVESTMENTS

At December 31, 2008, the Foundation's investments consisted of common stock that was not publicly traded.

There were no investments at December 31, 2009. There was no investment income relating to the investment in 2009 or 2008.

### 5. PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Vehicle	\$ 23,500	\$ -
Equipment	<u>4,472</u>	<u>1,760</u>
	27,972	1,760
Less: Accumulated depreciation	<u>(894)</u>	<u>-</u>
Total property, plant and equipment	<u>\$ 27,078</u>	<u>\$ 1,760</u>

Depreciation expense recorded in 2009 and 2008 amounted to \$894 and \$0 respectively.

## 6. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Internet services	\$ 5,521	\$ -
Satellite maintenance and upgrades	<u>12,000</u>	<u>-</u>
	<u>\$ 17,521</u>	<u>\$ -</u>

Temporarily restricted net assets were released from restrictions as follows:

	<u>2009</u>	<u>2008</u>
Internet services	\$ -	\$ 8,225
Satellite purchase and installation	<u>-</u>	<u>11,350</u>
	<u>\$ -</u>	<u>\$ 19,575</u>

## 7. TRANSFER OF NET ASSETS

On June 12, 2008 the Foundation's Board of Directors signed a joint resolution with the Board of Trustees of the John Dau Sudan Foundation (JDSF), a nonprofit foundation with a similar charitable mission of developing and sustaining health clinics in Southern Sudan. Both entities' Boards resolved to combine the Boards and to work towards establishing a single operating entity. On November 11, 2008, the Boards resolved to discontinue the separate operations of the JDSF and to continue operations of John Dau Foundation. The combination was finalized on December 5, 2008 and the net assets of JDSF that were transferred consisted of the following:

Cash	\$ 2,252
Travel advance	5,000
Fixed assets, net	1,760
Less: Accounts payable	<u>(285)</u>
Unrestricted net assets	<u>\$ 8,727</u>

In addition to the amount transferred in December 2008, the JDSF had also made contributions to John Dau Foundation throughout the year totaling \$173,890 to support health care initiatives in the Republic of Sudan, in accordance with its mission.

During 2009, it was determined that \$17,528 of donations that were transferred from the JDSF had been restricted by the donors for the promotion of education in Southern Sudan. These funds were transferred by the Foundation to a separate tax-exempt entity to ensure that the funds were expended for the intended purpose.

## **8. SUBSEQUENT EVENTS**

Subsequent to year-end, New York Not-for-Profit Corporation Law was amended to add a new article known as the “Prudent Management of Institutional Funds Act,” which became effective in September 2010. The Foundation is currently assessing the impact of this legislation. However, it is possible that implementing it may result in a reclassification of previously reported net asset balances between restricted, temporarily restricted, and/or permanently restricted net assets.

Subsequent events have been evaluated through November 11, 2010, 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, 2009**

(With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED REVENUE:</b>		
Contributions	\$ 307,542	\$ 434,095
Grant income	236,901	-
Interest	2,124	931
	<u>546,567</u>	<u>435,026</u>
<b>EXPENSES:</b>		
Program services -		
Salaries	124,435	90,255
Transportation	100,077	39,847
Supplies	48,601	53,506
Contract services	43,000	-
Facilities and equipment	23,849	21,015
Telephone	13,772	21,901
Construction materials	2,142	21,170
Other operating expenses	1,931	10,258
	<u>357,807</u>	<u>257,952</u>
Supporting services -		
Management expenses		
Salaries and benefits	49,643	4,195
Office expense	18,432	5,017
Professional fees	14,250	22,175
Contract services	8,816	10,193
Telephone	4,829	564
Insurance	1,126	1,126
Depreciation expense	894	-
	<u>97,990</u>	<u>43,270</u>
Fundraising expenses	<u>28,004</u>	<u>4,913</u>
Total supporting services	<u>125,994</u>	<u>48,183</u>
Total expenses	<u>483,801</u>	<u>306,135</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER CHANGES IN NET ASSETS</b>	<u>\$ 62,766</u>	<u>\$ 128,891</u>

The accompanying notes are an integral part of this exhibit.