

WATER FOR SUDAN, INC.

**Financial Statements
as of December 31, 2007
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

November 10, 2008

To the Board of Directors of
Water for Sudan, Inc.:

We have audited the accompanying balance sheet of Water for Sudan, Inc. (the Organization, a New York State not-for-profit corporation) as of December 31, 2007, 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 Organization's management. 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. 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 the Organization as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The 2006 financial statements were reviewed by us, and our report thereon, dated October 19, 2007, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with the cash basis of accounting. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

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WATER FOR SUDAN, INC.

BALANCE SHEET DECEMBER 31, 2007 (AUDITED) AND 2006 (REVIEWED)

	<u>2007</u>	<u>2006</u> (Reviewed)
ASSETS		
CASH	\$ 190,830	\$ 206,440
CONTRIBUTIONS RECEIVABLE	13,751	36,556
PROPERTY AND EQUIPMENT, net	<u>501,670</u>	<u>89,505</u>
Total assets	<u>\$ 706,251</u>	<u>\$ 332,501</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Loan payable to officer/director	\$ -	\$ 36,225
Accounts payable	<u>196,643</u>	<u>-</u>
Total liabilities	196,643	36,225
NET ASSETS:		
Unrestricted	340,541	231,278
Temporarily restricted	<u>169,067</u>	<u>64,998</u>
Total net assets	<u>509,608</u>	<u>296,276</u>
Total liabilities and net assets	<u>\$ 706,251</u>	<u>\$ 332,501</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007 (AUDITED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 345,048	\$ 144,069	\$ 489,117
Interest	1,219	-	1,219
Other	4,766	-	4,766
Net assets released from restrictions	40,000	(40,000)	-
	<u>391,033</u>	<u>104,069</u>	<u>495,102</u>
Total revenue			
EXPENSES:			
Supplies	89,339	-	89,339
Salaries and benefits	46,380	-	46,380
Depreciation	36,298	-	36,298
Repairs and maintenance	28,443	-	28,443
Advertising	28,904	-	28,904
Professional services	13,282	-	13,282
Travel	11,725	-	11,725
Contractor operations	10,480	-	10,480
Lodging	3,628	-	3,628
Bank fees	2,854	-	2,854
Telephone	2,476	-	2,476
Meals	2,342	-	2,342
Payroll taxes	2,183	-	2,183
Other	2,491	-	2,491
	<u>280,825</u>	<u>-</u>	<u>280,825</u>
Total expenses			
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	110,208	104,069	214,277
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(945)	-	(945)
CHANGE IN NET ASSETS	109,263	104,069	213,332
NET ASSETS - beginning of year	231,278	64,998	296,276
NET ASSETS - end of year	<u>\$ 340,541</u>	<u>\$ 169,067</u>	<u>\$ 509,608</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006 (REVIEWED)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 217,038	\$ 64,998	\$ 282,036
Interest	229	-	229
Other	1,348	-	1,348
	<u>218,615</u>	<u>64,998</u>	<u>283,613</u>
EXPENSES:			
Salaries and benefits	26,748	-	26,748
Contractor operations	16,828	-	16,828
Depreciation	12,929	-	12,929
Repairs and maintenance	10,122	-	10,122
Supplies	5,324	-	5,324
Travel	4,317	-	4,317
Advertising	4,067	-	4,067
Professional services	3,660	-	3,660
Lodging	2,793	-	2,793
Telephone	2,556	-	2,556
Bank fees	1,361	-	1,361
Meals	1,025	-	1,025
Payroll taxes	765	-	765
Other	1,096	-	1,096
	<u>93,591</u>	<u>-</u>	<u>93,591</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	125,024	64,998	190,022
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(3,480)</u>	<u>-</u>	<u>(3,480)</u>
CHANGE IN NET ASSETS	121,544	64,998	186,542
NET ASSETS - beginning of year	<u>109,734</u>	<u>-</u>	<u>109,734</u>
NET ASSETS - end of year	<u>\$ 231,278</u>	<u>\$ 64,998</u>	<u>\$ 296,276</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (REVIEWED)

	<u>2007</u>	<u>2006</u> (Reviewed)
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ 214,277	\$ 190,022
Adjustment to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	36,298	12,929
Foreign currency translation adjustment	(945)	(3,480)
Changes in:		
Loan payable to officer/director	(36,225)	36,225
Contributions receivable	22,805	(36,556)
Accounts payable	196,643	-
	<u>432,853</u>	<u>199,140</u>
Net cash flow from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(448,463)</u>	<u>(88,152)</u>
Net cash flow from investing activities	<u>(448,463)</u>	<u>(88,152)</u>
NET CHANGE IN CASH	(15,610)	110,988
CASH - beginning of year	<u>206,440</u>	<u>95,452</u>
CASH - end of year	<u>\$ 190,830</u>	<u>\$ 206,440</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 (AUDITED) AND 2006 (REVIEWED)

1. ORGANIZATION

Water for Sudan, Inc. is a tax-exempt organization located in Rochester, New York that was established in 2003. Water for Sudan, Inc. was organized to provide access to clean, safe drinking water to distressed communities located in East Africa by drilling wells and installing pumping equipment and purification systems which are donated to the communities in which they are installed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Financial Reporting

The activities and net assets of Water for Sudan, Inc. are reported in the following net asset classifications:

- Unrestricted net assets include resources that are available for the support of Water for Sudan, Inc.'s operating activities.
- Temporarily restricted net assets include resources that have been contributed to Water for Sudan that are subject to donor restrictions. Temporarily restricted contributions that are used in the same period they are received are recorded as unrestricted support.

<u>Name of Restriction</u>	<u>2007</u>	<u>2006</u>
Naming rights to wells in Sudan	\$ 169,067	\$ 64,998

Temporarily restricted net assets released from restrictions because naming rights were granted on wells in Sudan were \$40,000 in 2007. There were no releases of restriction in 2006.

Cash

Cash consists of demand deposit accounts with financial institutions that, at times, may exceed federally insured limits. Cash also includes an account in Kampala, Uganda that is not federally insured. Water for Sudan, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to these accounts.

Contributions Receivable

Contributions receivable consists of unconditional promises to give that remained outstanding at year-end. Management has reviewed these amounts for collectibility and determined that no allowance for uncollectible accounts was necessary at December 31, 2007 and 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Fixed asset additions are capitalized if they cost \$500 or greater and have a useful life greater than one year. Depreciation is provided using the straight-line method over the following estimated useful lives:

Vehicle	3 years
Drilling equipment	7 years
Equipment	3 - 10 years

Improvements and significant repairs that do not extend the life of the asset are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any unrelated gains or losses are recorded. Drilling equipment and certain related items were purchased in 2007 but were not placed into service as of December 31, 2007, as Water for Sudan, Inc. was awaiting delivery from the manufacturer.

Loan Payable to Officer/Director

Loan payable to Officer/Director consisted of amounts provided to Water for Sudan, Inc. to purchase certain equipment.

Income Taxes

Water for Sudan, Inc. is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. Water for Sudan, Inc. has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Contributions

Contributions are recorded at the time the cash is received, or when Water for Sudan, Inc. receives unconditional promises to give.

Advertising Expense

Advertising costs are expensed as paid.

Foreign Currency Transactions

Water for Sudan, Inc.'s functional currency is the United States dollar. Operations conducted in the Sudan (Africa) are transacted in the local currency and translated using a combination of transactional and average exchange rates. Any difference is recorded as a foreign currency translation adjustment.

Reclassifications

Certain reclassifications have been made to the December 31, 2006 financial statements to conform to the current year presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. CHANGE IN ACCOUNTING PRINCIPLE

During 2007, Water for Sudan, Inc. changed its method of accounting from the cash basis to the accrual basis of accounting. The reason for this change was to better reflect the operating activities of the organization and to acknowledge the increased contribution activity as a result of its growth. The impact of the change in 2006 was to increase contribution revenue by \$36,556 and record contributions receivable for a like amount. There was no impact to net assets at January 1, 2006 due to this change.

4. PROPERTY AND EQUIPMENT

Water for Sudan, Inc.'s property and equipment is as follows at December 31:

	<u>2007</u>	<u>2006</u>
Drilling equipment	\$ 246,035	\$ -
Equipment	219,285	76,222
Vehicles	<u>88,247</u>	<u>28,882</u>
	553,567	105,104
Less: Accumulated depreciation	<u>(51,897)</u>	<u>(15,599)</u>
	<u>\$ 501,670</u>	<u>\$ 89,505</u>

5. LOAN PAYABLE TO OFFICER/DIRECTOR

During 2006, Water for Sudan obtained financing for the purchase of certain equipment from an officer of the organization. The loan had no specific repayment terms. During 2007, this loan was repaid.

6. FUNCTIONAL EXPENSES

Water for Sudan, Inc.'s operating expenses, classified on a functional basis, were as follows for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Program services	\$ 194,630	\$ 69,234
Fundraising	53,367	14,590
Management and general	<u>32,828</u>	<u>9,767</u>
	<u>\$ 280,825</u>	<u>\$ 93,591</u>