

WATER FOR SUDAN, INC.

**Financial Statements
as of August 31, 2009 and December 31, 2008
Together with
Independent Accountants' Review Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

July 8, 2010

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

We have reviewed the accompanying balance sheet of Water for Sudan, Inc. (the Organization, a New York State not-for-profit corporation) as of August 31, 2009, and the related statements of activities and change in net assets and cash flows for the period from January 1, 2009 to August 31, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Organization.

A review consists principally of inquiries of the Organization's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2009 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

The financial statements for the year ended December 31, 2008, were audited by us, and we expressed an unqualified opinion on them in our report dated November 11, 2009, but we have not performed any auditing procedures since that date.

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WATER FOR SUDAN, INC.

BALANCE SHEETS

AUGUST 31, 2009 (REVIEWED) AND DECEMBER 31, 2008 (AUDITED)

(See Accountants' Review Report)

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
ASSETS		
CASH	\$ 139,081	\$ 244,324
CONTRIBUTIONS RECEIVABLE	576	18,141
PREPAID EXPENSES	-	22,000
PROPERTY AND EQUIPMENT, net	<u>468,874</u>	<u>502,471</u>
Total assets	<u>\$ 608,531</u>	<u>\$ 786,936</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	<u>\$ 2,506</u>	<u>\$ -</u>
Total liabilities	<u>2,506</u>	<u>-</u>
NET ASSETS:		
Unrestricted	336,025	511,936
Temporarily restricted	<u>270,000</u>	<u>275,000</u>
Total net assets	<u>606,025</u>	<u>786,936</u>
Total liabilities and net assets	<u>\$ 608,531</u>	<u>\$ 786,936</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 PERIOD FROM JANUARY 1, 2009 TO AUGUST 31, 2009 (REVIEWED)
(See Accountants' Review Report)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 154,053	\$ 30,000	\$ 184,053
Interest	71	-	71
Other	150	-	150
Net assets released from restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total revenue	<u>189,274</u>	<u>(5,000)</u>	<u>184,274</u>
EXPENSES:			
Supplies	88,705	-	88,705
Depreciation	77,973	-	77,973
Salaries and benefits	74,580	-	74,580
Travel	36,075	-	36,075
Public relations	34,741	-	34,741
Repairs and maintenance	14,124	-	14,124
Meals	10,980	-	10,980
Professional services	8,160	-	8,160
Lodging	6,230	-	6,230
Telephone	3,315	-	3,315
Payroll taxes	3,308	-	3,308
Rent	1,000	-	1,000
Bank fees	881	-	881
Other	<u>8,238</u>	<u>-</u>	<u>8,238</u>
Total expenses	<u>368,310</u>	<u>-</u>	<u>368,310</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(179,036)	(5,000)	(184,036)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>3,125</u>	<u>-</u>	<u>3,125</u>
CHANGE IN NET ASSETS	(175,911)	(5,000)	(180,911)
NET ASSETS - beginning of year	<u>511,936</u>	<u>275,000</u>	<u>786,936</u>
NET ASSETS - end of year	<u>\$ 336,025</u>	<u>\$ 270,000</u>	<u>\$ 606,025</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, 2008 (AUDITED) (See Accountants' Review Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 425,138	\$ 130,000	\$ 555,138
Interest	729	-	729
Other	16,920	-	16,920
Net assets released from restriction	<u>24,067</u>	<u>(24,067)</u>	<u>-</u>
Total revenue	<u>466,854</u>	<u>105,933</u>	<u>572,787</u>
EXPENSES:			
Salaries and benefits	62,127	-	62,127
Depreciation	48,688	-	48,688
Public relations	40,509	-	40,509
Supplies	36,221	-	36,221
Travel	35,945	-	35,945
Repairs and maintenance	16,874	-	16,874
Professional services	15,565	-	15,565
Lodging	10,502	-	10,502
Meals	6,751	-	6,751
Bank fees	5,145	-	5,145
Telephone	2,610	-	2,610
Payroll taxes	2,439	-	2,439
Other	<u>8,203</u>	<u>-</u>	<u>8,203</u>
Total expenses	<u>291,579</u>	<u>-</u>	<u>291,579</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	175,275	105,933	281,208
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(3,880)</u>	<u>-</u>	<u>(3,880)</u>
CHANGE IN NET ASSETS	171,395	105,933	277,328
NET ASSETS - beginning of year	<u>340,541</u>	<u>169,067</u>	<u>509,608</u>
NET ASSETS - end of year	<u>\$ 511,936</u>	<u>\$ 275,000</u>	<u>\$ 786,936</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 2009 TO AUGUST 31, 2009 (REVIEWED) AND THE
YEAR ENDED DECEMBER 31, 2008 (AUDITED)

(See Accountants' Review Report)

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ (184,036)	\$ 281,208
Adjustment to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	77,973	48,688
Effect of exchange rate changes on cash	3,125	(3,880)
Changes in:		
Contributions receivable	17,565	(4,390)
Prepaid expenses	22,000	(22,000)
Accounts payable	<u>2,506</u>	<u>(196,643)</u>
Net cash flow from operating activities	<u>(60,867)</u>	<u>102,983</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(44,376)</u>	<u>(49,489)</u>
Net cash flow from investing activities	<u>(44,376)</u>	<u>(49,489)</u>
NET CHANGE IN CASH	(105,243)	53,494
CASH - beginning of year	<u>244,324</u>	<u>190,830</u>
CASH - end of year	<u>\$ 139,081</u>	<u>\$ 244,324</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2009 (REVIEWED) AND DECEMBER 31, 2008 (AUDITED) (See Accountants' Review Report)

1. ORGANIZATION

Water for Sudan, Inc. (the Organization) 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.

The Organization changed its year-end from December 31 to August 31 in 2009 to better align its financial reporting with its activities. This report covers the period from January 1, 2009 to August 31, 2009 and the period from January 1, 2008 to December 31, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Reporting

The activities and net assets of the Organization are reported in the following net asset classifications:

- Unrestricted net assets include resources that are available for the support of the Organization's operating activities.
- Temporarily restricted net assets include resources that have been contributed to the Organization 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>2009</u>	<u>2008</u>
Naming rights to wells in Sudan	\$ 270,000	\$ 275,000

Temporarily restricted net assets released from restrictions because naming rights were granted on wells in Sudan were \$35,000 for the period ended August 31, 2009 and \$24,067 for the year ended December 31, 2008.

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. The Organization 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 collectability and determined that no allowance for uncollectible accounts was necessary at August 31, 2009 and December 31, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Fixed asset additions are capitalized if the initial cost is \$500 or greater and has 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.

Income Taxes

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

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN 48 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, their 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 Organization adopted the provisions of ASC Section 740 on January 1, 2009 and there was no impact on the Organization's financial statements. At the date of adoption, and as of August 31, 2009, the Organization does not have a liability for unrecognized tax benefits. The Organization files informational tax returns in the U.S. federal jurisdiction and New York State. The Organization is not subject to U.S. federal and state informational tax examinations by tax authorities for years after 2005.

Contributions

Contributions are recorded at the time the cash is received, or when the Organization receives unconditional promises to give.

Donated Services and Materials

The Organization records contributions of services as both revenue and expense to the extent that such services require specialized skills and would have been purchased by the Organization if not donated. In addition, volunteers have donated significant amounts of time in support of the Organization's activities; however, these services do not meet the criteria for financial statement recognition and no amounts have been recognized in the financial statements for contributions of services or time.

During 2008, the Organization purchased services from a firm to create a documentary of the Organization's activities. This firm gave the Organization a significant discount for these services because it believes strongly in the Organization's mission. No amounts have been reflected in the financial statements of the Organization for services donated by the firm.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

Advertising costs are expensed as paid. Advertising costs are shown in the public relations expense category in the statement of activities and change in net assets.

Foreign Currency Transactions

The Organization'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.

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. PROPERTY AND EQUIPMENT

The Organization's property and equipment is as follows at August 31, 2009 and December 31, 2008:

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
Drilling equipment	\$ 357,965	\$ 357,965
Equipment	138,574	134,844
Vehicles	<u>150,893</u>	<u>110,247</u>
	647,432	603,056
Less: Accumulated depreciation	<u>(178,558)</u>	<u>(100,585)</u>
	<u>\$ 468,874</u>	<u>\$ 502,471</u>

4. FUNCTIONAL EXPENSES

The Organization's operating expenses, classified on a functional basis, were as follows for the period ended August 31, 2009 and the year ended December 31, 2008:

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
Program services	\$ 300,762	\$ 217,237
Fundraising	45,954	31,650
Management and general	<u>21,594</u>	<u>42,692</u>
	<u>\$ 368,310</u>	<u>\$ 291,579</u>

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 8, 2010, which is the date the financial statements were available to be issued.