

WATER FOR SUDAN, INC.

**Financial Statements
as of August 31, 2010 and 2009
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

July 7, 2011

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 August 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 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 August 31, 2010, 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 2009 financial statements were reviewed by us, and our report thereon, dated July 8, 2010, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United State. 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 as a whole.

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WATER FOR SUDAN, INC.

BALANCE SHEETS

AUGUST 31, 2010 (AUDITED) AND AUGUST 31, 2009 (REVIEWED)

	<u>2010</u> (Audited)	<u>2009</u> (Reviewed)
ASSETS		
CASH	\$ 153,614	\$ 139,081
CONTRIBUTIONS RECEIVABLE	1,374	576
PROPERTY AND EQUIPMENT, net	<u>352,632</u>	<u>468,874</u>
Total assets	<u>\$ 507,620</u>	<u>\$ 608,531</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	<u>\$ 5,338</u>	<u>\$ 2,506</u>
Total liabilities	<u>5,338</u>	<u>2,506</u>
NET ASSETS:		
Unrestricted	397,282	336,025
Temporarily restricted	<u>105,000</u>	<u>270,000</u>
Total net assets	<u>502,282</u>	<u>606,025</u>
Total liabilities and net assets	<u>\$ 507,620</u>	<u>\$ 608,531</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 AUGUST 31, 2010 (AUDITED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 402,808	\$ -	\$ 402,808
Interest	49	-	49
Other	3,246	-	3,246
Net assets released from restrictions	<u>165,000</u>	<u>(165,000)</u>	<u>-</u>
Total revenue	<u>571,103</u>	<u>(165,000)</u>	<u>406,103</u>
EXPENSES:			
Depreciation	117,382	-	117,382
Salaries and benefits	101,290	-	101,290
Supplies	74,266	-	74,266
Contractors	68,464	-	68,464
Public relations	39,710	-	39,710
Travel	30,654	-	30,654
Professional services	27,305	-	27,305
Repairs and maintenance	13,341	-	13,341
Lodging	8,345	-	8,345
Payroll taxes	5,238	-	5,238
Meals	4,999	-	4,999
Telephone	4,552	-	4,552
Bank fees	1,889	-	1,889
Other	<u>4,820</u>	<u>-</u>	<u>4,820</u>
Total expenses	<u>502,255</u>	<u>-</u>	<u>502,255</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	68,848	(165,000)	(96,152)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(7,591)</u>	<u>-</u>	<u>(7,591)</u>
CHANGE IN NET ASSETS	61,257	(165,000)	(103,743)
NET ASSETS - beginning of year	<u>336,025</u>	<u>270,000</u>	<u>606,025</u>
NET ASSETS - end of year	<u>\$ 397,282</u>	<u>\$ 105,000</u>	<u>\$ 502,282</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)

	<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 restriction	<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 CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2010 (AUDITED) AND FOR THE PERIOD
FROM JANUARY 1, 2009 TO AUGUST 31, 2009 (REVIEWED)

	<u>2010</u> (Audited)	<u>2009</u> (Reviewed)
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ (96,152)	\$ (184,036)
Adjustment to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	117,382	77,973
Effect of exchange rate changes on cash	(7,591)	3,125
Changes in:		
Contributions receivable	(798)	17,565
Prepaid expenses	-	22,000
Accounts payable	<u>2,832</u>	<u>2,506</u>
Net cash flow from operating activities	<u>15,673</u>	<u>(60,867)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(1,140)</u>	<u>(44,376)</u>
Net cash flow from investing activities	<u>(1,140)</u>	<u>(44,376)</u>
NET CHANGE IN CASH	14,533	(105,243)
CASH - beginning of year	<u>139,081</u>	<u>244,324</u>
CASH - end of year	<u>\$ 153,614</u>	<u>\$ 139,081</u>

The accompanying notes are an integral part of these statements.

WATER FOR SUDAN, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2010 (AUDITED) AND AUGUST 31, 2009 (REVIEWED)

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.

In 2009, the Organization changed its year-end from December 31 to August 31 to better align its financial reporting requirements with its programmatic activities. This report covers the fiscal year from September 1, 2009 to August 31, 2010 and the period from January 1, 2009 to August 31, 2009.

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>2010</u>	<u>2009</u>
Naming rights to wells in Sudan	\$ 105,000	\$ 270,000

Temporarily restricted net assets released from restrictions because naming rights were granted on wells in Sudan were \$165,000 for the year ended August 31, 2010 and \$35,000 for the period ended August 31, 2009.

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, 2010 and 2009.

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.

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. As of August 31, 2010 and 2009, the Organization does not have a liability for unrecognized tax benefits. The Organization is subject to U.S. federal and state tax examinations by tax authorities for all years after 2006.

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.

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 various local currencies and are subsequently 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:

	<u>2010</u> (Audited)	<u>2009</u> (Reviewed)
Drilling equipment	\$ 357,965	\$ 357,965
Equipment	139,713	138,574
Vehicles	<u>150,894</u>	<u>150,893</u>
	648,572	647,432
Less: Accumulated depreciation	<u>(295,940)</u>	<u>(178,558)</u>
	<u>\$ 352,632</u>	<u>\$ 468,874</u>

4. FUNCTIONAL EXPENSES

The Organization's operating expenses, classified on a functional basis, were as follows for the year ended August 31, 2010 and the period ended August 31, 2009:

	<u>2010</u> (Audited)	<u>2009</u> (Reviewed)
Program services	\$ 412,660	\$ 300,762
Fundraising	51,029	45,954
Management and general	<u>38,566</u>	<u>21,594</u>
	<u>\$ 502,255</u>	<u>\$ 368,310</u>

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 7, 2011, which is the date the financial statements were available to be issued.