
THE FISTULA FOUNDATION

Financial Statements

December 31, 2004

and

Auditors' Report

THE FISTULA FOUNDATION

December 31, 2004

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December 31, 2004

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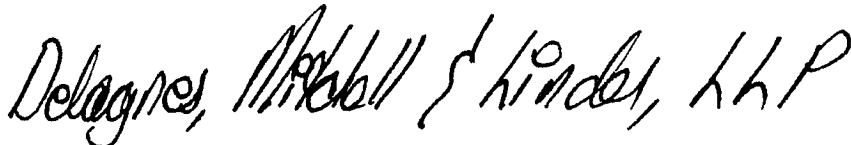
Ronald J. Linder
Bernard W. Nebenzahl
Consultants

To the Board of Trustees of
The Fistula Foundation

We have audited the accompanying statement of financial position of The Fistula Foundation (a California nonprofit public benefit corporation) as of December 31, 2004, and the related statements of activities, cash flows, and functional expenses 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Fistula Foundation as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Delagnes, Mitchell & Linder, LLP". The signature is written in a cursive, flowing style.

March 11, 2005

THE FISTULA FOUNDATION

Statement of Financial Position

December 31, 2004

ASSETS

Current assets:

Cash (primarily interest bearing accounts)	\$ 615,113
Contributions receivable	95,065
Prepays and deposits	<u>6,037</u>
Total current assets	716,215

Noncurrent investments 3,075,434

Property and Equipment:

Property and equipment, net of accumulated depreciation	<u>16,182</u>
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Total assets \$ 3,807,831

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and other accrued expenses	\$ <u>15,123</u>
Total current liabilities	15,123

Net Assets:

Unrestricted net assets	3,442,813
Temporarily restricted assets	<u>349,895</u>
Total net assets	<u>3,792,708</u>

Total liabilities and net assets \$ 3,807,831

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Activities
For the Year Ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Grants	-	250,000	250,000
Contributions	3,042,496	155,198	3,197,694
Donated services	9,600	-	9,600
Net Investment income	217,850	-	217,850
Net assets released from restriction for purpose	55,303	(55,303)	-
Total revenues and support	<u>3,325,249</u>	<u>349,895</u>	<u>3,675,144</u>
Expenses:			
Program services	341,105	-	341,105
Management and general	219,027	-	219,027
Fundraising expense	111,346	-	111,346
Total expenses	<u>671,478</u>	<u>-</u>	<u>671,478</u>
Change in net assets	2,653,771	349,895	3,003,666
Net assets at beginning of year	<u>789,042</u>	<u>-</u>	<u>789,042</u>
Net assets at end of year	<u>3,442,813</u>	<u>349,895</u>	<u>3,792,708</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Cash Flows
December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets from Statement of Activities	\$ 3,003,666
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:	
Depreciation	3,461
Unrealized and realized gains and losses	(184,847)
Changes in operating assets and liabilities:	
Contributions receivable	(95,065)
Prepays, deposits and other assets	(3,425)
Accounts payable and other accrued expenses	<u>15,123</u>
Net cash provided by operating activities	<u>2,738,913</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(19,644)
Purchase of investments	(<u>2,433,897</u>)
Net cash (used) by investing activities	(<u>2,453,541</u>)
Net change in cash	285,372
Cash at beginning of year	<u>329,741</u>
Cash at end of year	\$ <u><u>615,113</u></u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION
Statement of Functional Expenses
For The Year Ended December 31, 2004

	<u>Program</u> <u>Services</u>	<u>General</u> <u>and</u> <u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits	\$ -	104,042	48,204	152,246
Donation to Fistula Hospital	310,921	-	-	310,921
Advertising	1,200	3,200	9,380	13,780
Bank and credit card expense	-	7,741	-	7,741
Contract labor	-	1,833	5,699	7,532
Depreciation	1,696	1,142	623	3,461
License and dues	2,187	2,079	290	4,556
Insurance	1,504	209	1,421	3,134
Miscellaneous	-	257	717	974
Postage/shipping	-	9,613	7,185	16,798
Printing	-	18,259	8,872	27,131
Professional services	1,727	39,830	1,766	43,323
Rent	-	11,919	2,625	14,544
Supplies	5,902	869	5,524	12,295
Telephone	989	4,712	2,521	8,222
Software	-	-	5,801	5,801
Accounting and legal	12,364	8,327	4,541	25,232
Travel	2,615	4,995	6,177	13,787
	<u>341,105</u>	<u>219,027</u>	<u>111,346</u>	<u>671,478</u>
Total	\$ <u>341,105</u>	<u>219,027</u>	<u>111,346</u>	<u>671,478</u>

see accompanying notes to the financial statements

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2004

1. Nature of Activities and Summary of Significant Accounting Policies

(a) Nature of Activities

The Fistula Foundation (Foundation), formerly called “American Friends Foundation for Childbirth Injuries,” was founded in 2000 to provide financial support for the repair and prevention of obstetric fistula injuries through the funding of the general operations, programs and capital projects of the Addis Ababa Fistula Hospital in Ethiopia.

(b) Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets. The Foundation had no permanently restricted net assets as of December 31, 2004.

(c) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

(d) Temporarily restricted net assets

Temporarily restricted net assets represents contributions whose use by the Foundation is limited by donor imposed stipulations that can be fulfilled and removed by actions of the Foundation pursuant to those stipulations or by the passage of time.

(e) Cash

Cash includes depository account balances other than those held temporarily as part of the long-term investment portfolio. The accounts are insured by the FDIC up to \$100,000 for each bank. At December 31, 2004, the Foundation had uninsured cash balances of \$515,113.

(f) Donated Goods and Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2004

1. Nature of Activities and Summary of Significant Accounting Policies, Continued

(f) Donated Goods and Services (continued)

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

(g) Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Foundation's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

(h) Income taxes

The Foundation is exempt from paying Federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

(i) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities.

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2004

1. Nature of Activities and Summary of Significant Accounting Policies, Continued

(j) Financial Instruments and Credit Risk

The carrying amounts of financial instruments approximate fair value based on quoted market prices or discounted cash flow analysis for cash equivalents and other financial instruments. The Foundation is subject to some credit risk through short-term cash investments, which are placed with high credit quality financial institutions, both directly and indirectly, through various brokerage firms.

The Foundation has significant investments in stocks, bonds, and mutual funds held by an investment managers engaged by the Foundation and is, therefore, subject to concentrations of credit risk. Investments are made by the investment managers and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation.

(j) Property and Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation of property and equipment is provided over the estimated 3 to 7 years useful lives of the respective assets on a straight-line basis.

2. Investments

The following represents the original cost basis, unrealized gains and fair value of investments as of December 31, 2004. The fair value of investments is determined based upon quoted market prices.

	<u>Cost</u>	<u>Market</u>
Equity	\$ 314,706	\$ 361,018
Mutual Funds	1,309,758	1,451,029
Money Market	1,009,650	1,009,650
Fixed Income	<u>255,019</u>	<u>253,737</u>
Total Investments	\$ <u>2,889,133</u>	\$ <u>3,075,434</u>

The following schedule summarizes the investment returns and classifications in the Statement of Activities:

THE FISTULA FOUNDATION

Notes to Financial Statements

December 31, 2004

2. Investments (Continued)

Interest and dividend income	\$ 33,622
Realized loss	(2,073)
Unrealized gain	<u>186,301</u>
Net investment income	\$ <u>217,850</u>

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2004:

Computer & equipment	\$ 5,325
Furniture and fixtures	559
Software	<u>13,759</u>
Subtotal	19,643
Less: accumulated depreciation	<u>3,461</u>
Total property and equipment – net of accumulated depreciation	\$ <u>16,182</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

Outreach	\$ 224,697
Love A Sister	<u>125,198</u>
Total temporarily restricted net assets	\$ <u>349,895</u>

5. Donated Goods and Services

Certain professional services and accounting are donated to the Foundation. The estimated value of the professional services donated, based upon estimated fees that would have been paid for such services, is approximately \$9,600, and is included in management and general activities in the accompanying statements of activities.