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# **THE FISTULA FOUNDATION**

Financial Statements

December 31, 2006 and 2005

and

Auditors' Report

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**THE FISTULA FOUNDATION**

**December 31, 2006 and 2005**

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Board of Trustees  
The Fistula Foundation

We have audited the accompanying statements of financial position of The Fistula Foundation (a California nonprofit public benefit corporation) as of December 31, 2006 and 2005, and the related statements of activities, cash flows, and functional expenses for the years 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, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

March 22, 2007

**THE FISTULA FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2006 and 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash (primarily interest bearing accounts)	\$ 873,591	\$ 341,631
Contributions receivable	38,061	55,443
Prepays and deposits	<u>15,459</u>	<u>15,301</u>
Total current assets	927,111	412,375
Noncurrent investments	3,306,784	3,260,185
Property and Equipment:		
Property and equipment, net of accumulated depreciation	<u>17,401</u>	<u>31,627</u>
Total assets	\$ <u><u>4,251,296</u></u>	\$ <u><u>3,704,187</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and other accrued expenses	\$ 15,240	\$ 25,236
Capital lease - Short term portion	<u>1,201</u>	<u>876</u>
Total current liabilities	16,441	26,112
Capital lease - long term portion	<u>2,037</u>	<u>3,024</u>
Total liabilities	18,478	29,136
Net Assets:		
Unrestricted net assets		
Undesignated	1,910,592	3,419,851
Board designated endowment	<u>2,000,000</u>	<u>-</u>
Total Unrestricted	3,910,592	3,419,851
Temporarily restricted assets	290,071	255,200
Permanently restricted assets	<u>32,155</u>	<u>-</u>
Total net assets	<u><u>4,232,818</u></u>	<u><u>3,675,051</u></u>
Total liabilities and net assets	\$ <u><u>4,251,296</u></u>	\$ <u><u>3,704,187</u></u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2006 and 2005**

	2006.....			2005.....		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues and support:						
Grants	\$ 60,000	45,000	-	\$ 121,900	-	121,900
Contributions	1,749,873	332,742	32,155	1,329,649	357,471	1,687,120
Net Investment income	191,354	-	-	194,692	-	194,692
Other income	-	-	-	4,430	-	4,430
Net assets released from restriction for purpose	342,871	(342,871)	-	452,166	(452,166)	-
Total revenues and support	\$ 2,344,098	34,871	32,155	\$ 2,102,837	(94,695)	2,008,142
Expenses:						
Program services	\$ 1,404,837	-	-	\$ 1,606,528	-	1,606,528
Management and general	217,178	-	-	260,453	-	260,453
Fundraising expense	231,342	-	-	258,818	-	258,818
Total expenses	1,853,357	-	-	2,125,799	-	2,125,799
Change in net assets	490,741	34,871	32,155	(22,962)	(94,695)	(117,657)
Net assets at beginning of year	3,419,851	255,200	-	3,442,813	349,895	3,792,708
Net assets at end of year	\$ 3,910,592	290,071	32,155	\$ 3,419,851	255,200	3,675,051

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statements of Cash Flows**  
**December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from Statement of Activities	\$ 557,767	( 117,657 )
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	14,761	10,109
Changes in operating assets and liabilities:		
Contributions receivable	17,382	39,622
Prepays, deposits and other assets	( 158 )	( 9,264 )
Accounts payable and other accrued expenses	( 10,659 )	14,013
Net cash provided by (used in) operating activities	<u>579,093</u>	( <u>63,177</u> )
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	( 534 )	( 25,125 )
Net change in investments	( <u>46,599</u> )	( <u>185,180</u> )
Net cash (used) by investing activities	( <u>47,133</u> )	( <u>210,305</u> )
Net change in cash	531,960	( 273,482 )
Cash at beginning of year	<u>341,631</u>	<u>615,113</u>
Cash at end of year	\$ <u><u>873,591</u></u>	<u><u>341,631</u></u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2006**

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits	\$ 50,121	100,242	128,087	278,450
Donations on behalf of Fistula Hospital	1,208,444	-	-	1,208,444
Awareness Program	100,225	-	-	100,225
Bank and credit card expense		19,851	-	19,851
Depreciation	2,657	5,314	6,790	14,761
Dignity bracelets	-	-	14,002	14,002
Fundraising	-	-	12,647	12,647
Insurance	446	893	1,141	2,480
Miscellaneous	1,266	2,532	3,235	7,033
Postage/shipping	5,015	10,030	12,817	27,862
Printing	12,759	25,518	32,606	70,883
Professional services	-	-	-	-
Rent	3,005	6,010	7,679	16,694
Repairs and maintenance	2,035	4,070	5,200	11,305
Supplies	926	1,853	2,367	5,146
Telephone	788	1,576	2,013	4,377
Software	827	1,655	2,114	4,596
Accounting and legal	-	31,448	-	31,448
Travel	16,323	6,186	644	23,153
Total	\$ <u>1,404,837</u>	<u>217,178</u>	<u>231,342</u>	<u>1,853,357</u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2005**

	<u>Program Services</u>	<u>General and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits	\$ 35,580	83,989	108,690	228,259
Outside Interim Executive Director	29,848	19,899	49,748	99,495
Donations on behalf of Fistula Hospital	1,329,133	-	-	1,329,133
Awareness Program	170,600	-	-	170,600
Advertising	1,200	150	112	1,462
Bank and credit card expense	-	18,484	-	18,484
Depreciation	2,021	3,132	4,956	10,109
Dignity bracelets	-	-	12,080	12,080
Fundraising	-	-	27,914	27,914
Insurance	355	551	871	1,777
Miscellaneous	-	5,363	1,053	6,416
Postage/shipping	6,197	11,722	11,222	29,141
Printing	6,193	24,159	17,506	47,858
Professional services	-	18,527	-	18,527
Rent	4,604	7,137	11,278	23,019
Repairs and maintenance	1,653	2,563	4,051	8,267
Supplies	1,080	1,674	2,646	5,400
Telephone	1,741	2,699	4,266	8,706
Software	-	752	1,811	2,563
Accounting and legal	-	53,466	-	53,466
Travel	16,323	6,186	614	23,123
Total	\$ <u>1,606,528</u>	<u>260,453</u>	<u>258,818</u>	<u>2,125,799</u>

see accompanying notes to the financial statements



# **THE FISTULA FOUNDATION**

## **Notes to Financial Statements**

**December 31, 2006 and 2005**

### **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.

(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) Permanently restricted net assets

The permanently restricted net assets are endowment investments which are restricted in perpetuity. The income from these permanently restricted net assets is expendable for the activities of the Foundation in support of the Addis Ababa Fistula Hospital.

(f) 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, 2006 and 2005, the Foundation had uninsured cash balances of \$773,591 and \$241,631 respectively.

# THE FISTULA FOUNDATION

## Notes to Financial Statements

December 31, 2006 and 2005

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

(g) 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. 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.

(h) 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.

(i) 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.

(j) 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, 2006 and 2005**

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

**(k) 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.

**(l) 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.

# THE FISTULA FOUNDATION

## Notes to Financial Statements

December 31, 2006 and 2005

### 2. Investments

The following represents the original cost basis, unrealized gains and fair value of investments as of December 31, 2006 and 2005. The fair value of investments is determined based upon quoted market prices.

		2006		2005	
		<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity	\$	1,979,036	2,053,581	395,785	421,199
Mutual Funds		474,480	588,751	1,322,243	1,563,658
Money Market		619,920	619,920	1,131,832	1,131,832
Fixed Income		<u>43,979</u>	<u>44,532</u>	<u>145,012</u>	<u>143,496</u>
Total Investments	\$	<u>3,117,415</u>	<u>3,306,784</u>	<u>2,994,872</u>	<u>3,260,185</u>

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

	<u>2006</u>	<u>2005</u>
Interest and dividend income	\$ 129,734	\$ 70,782
Realized gain (loss)	( 96,834)	45,517
Unrealized gain	<u>158,454</u>	<u>78,393</u>
Net investment income	\$ <u>191,354</u>	\$ <u>194,692</u>

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

**3. Property and Equipment**

Property and equipment consisted of the following at December 31, 2005:

	<u>2006</u>	<u>2005</u>
Computer & equipment	\$ 16,604	\$ 16,069
Furniture and fixtures	11,816	11,816
Software	<u>16,883</u>	<u>16,883</u>
Subtotal	45,303	44,768
Less: accumulated depreciation	<u>27,902</u>	<u>13,141</u>
Total property and equipment – net of accumulated depreciation	\$ <u>17,401</u>	\$ <u>31,627</u>

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted as follows:

	<u>2006</u>	<u>2005</u>
Outreach & Prevention	\$ 250,000	\$ 250,000
Harrar Satellite Fistula	4,135	
Stipends	3,000	
Love A Sister	<u>32,936</u>	<u>5,200</u>
Total temporarily restricted net assets	\$ <u>290,071</u>	\$ <u>255,200</u>