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# THE FISTULA FOUNDATION

Financial Statements

December 31, 2005 and 2004

and

Auditors' Report

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THE FISTULA FOUNDATION

December 31, 2005 and 2004

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To the Board of Trustees of  
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, 2005 and 2004, 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, 2005 and 2004, 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.

*Delagnes, Mitchell & Linder, LLP*

April 27, 2006

THE FISTULA FOUNDATION  
 Statements of Financial Position  
 December 31, 2005 and 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Current assets:		
Cash (primarily interest bearing accounts)	\$ 341,631	\$ 615,113
Contributions receivable	55,443	95,065
Prepays and deposits	<u>15,301</u>	<u>6,037</u>
Total current assets	412,375	716,215
Noncurrent investments	3,260,185	3,075,434
Property and Equipment:		
Property and equipment, net of accumulated depreciation	<u>31,627</u>	<u>16,182</u>
Total assets	\$ <u><u>3,704,187</u></u>	\$ <u><u>3,807,831</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	\$ 25,236	\$ 15,123
Capital lease - Short term portion	<u>876</u>	<u>-</u>
Total current liabilities	26,112	15,123
Capital lease - long term portion	<u>3,024</u>	<u>-</u>
Total liabilities	29,136	15,123
Net Assets:		
Unrestricted net assets	3,419,851	3,442,813
Temporarily restricted assets	<u>255,200</u>	<u>349,895</u>
Total net assets	<u><u>3,675,051</u></u>	<u><u>3,792,708</u></u>
Total liabilities and net assets	\$ <u><u>3,704,187</u></u>	\$ <u><u>3,807,831</u></u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
Statements of Activities

For the years ended December 31, 2005 and 2004

	2005		2004	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Revenues and support:				
Grants	\$ 121,900	-	\$ 121,900	-
Contributions	1,329,649	357,471	1,687,120	3,042,496
Donated services	-	-	-	9,600
Net Investment income	194,692	-	194,692	-
Other income	4,430	-	4,430	-
Net assets released from restriction for purpose	452,166	(452,166)	-	55,303
Total revenues and support	<u>\$ 2,102,837</u>	<u>(94,695)</u>	<u>\$ 2,008,142</u>	<u>349,895</u>
Expenses:				
Program services	\$ 1,606,528	-	\$ 1,606,528	-
Management and general	260,453	-	260,453	-
Fundraising expense	258,818	-	258,818	-
Total expenses	<u>2,125,799</u>	<u>-</u>	<u>2,125,799</u>	<u>671,478</u>
Change in net assets	(22,962)	(94,695)	(117,657)	349,895
Net assets at beginning of year	<u>3,442,813</u>	<u>349,895</u>	<u>3,792,708</u>	<u>789,042</u>
Net assets at end of year	<u>\$ 3,419,851</u>	<u>255,200</u>	<u>\$ 3,675,051</u>	<u>349,895</u>
				<u>3,792,708</u>

see accompanying notes to the financial statements

**THE FISTULA FOUNDATION**  
**Statements of Cash Flows**  
**For the years ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets from Statement of Activities	\$ ( 117,657 )	3,003,666
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	10,109	3,461
Unrealized and realized gains and losses	( 123,910 )	( 184,847 )
Changes in operating assets and liabilities:		
Contributions receivable	39,622	( 95,065 )
Prepays, deposits and other assets	( 9,264 )	( 3,425 )
Accounts payable and other accrued expenses	<u>14,013</u>	<u>15,123</u>
Net cash provided by (used in) operating activities	<u>(187,087)</u>	<u>2,738,913</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	( 25,125 )	( 19,644 )
Net change in investments	( <u>61,270</u> )	( <u>2,433,897</u> )
Net cash (used) by investing activities	( <u>86,395</u> )	( <u>2,453,541</u> )
Net change in cash	( 273,482 )	285,372
Cash at beginning of year	<u>615,113</u>	<u>329,741</u>
Cash at end of year	\$ <u><u>341,631</u></u>	<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, 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
Consulting services	29,848	19,899	49,748	99,495
Donation to 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
	<u>16,323</u>	<u>6,186</u>	<u>614</u>	<u>23,123</u>
Total	\$ <u><u>1,606,528</u></u>	<u><u>260,453</u></u>	<u><u>258,818</u></u>	<u><u>2,125,799</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><u>341,105</u></u>	<u><u>219,027</u></u>	<u><u>111,346</u></u>	<u><u>671,478</u></u>

see accompanying notes to the financial statements



## THE FISTULA FOUNDATION

### Notes to Financial Statements

For the years ended December 31, 2005 and 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, 2005 and 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, 2005 and 2004, the Foundation had uninsured cash balances of \$241,631 and \$515,113 respectively.

(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, 2005 and 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, 2005 and 2004**

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

(i) 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, 2005 and 2004. The fair value of investments is determined based upon quoted market prices.

		2005		2004	
		<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity	\$	395,785	421,199	\$ 314,706	361,018
Mutual Funds		1,322,243	1,563,658	1,309,758	1,451,029
Money Market		1,131,832	1,131,832	1,009,650	1,009,650
Fixed Income		<u>145,012</u>	<u>143,496</u>	<u>255,019</u>	<u>253,737</u>
Total Investments	\$	<u>2,994,872</u>	<u>3,260,185</u>	\$ <u>2,889,133</u>	<u>3,075,434</u>

**THE FISTULA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

**2. Investments (Continued)**

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

	<u>2005</u>	<u>2004</u>
Interest and dividend income	\$ 70,782	\$ 33,622
Realized gain (loss)	45,517	(2,073)
Unrealized gain	<u>78,393</u>	<u>186,301</u>
Net investment income	\$ <u>194,692</u>	\$ <u>217,850</u>

**3. Property and Equipment**

Property and equipment consisted of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Computer & equipment	\$ 16,072	\$ 5,325
Furniture and fixtures	11,297	559
Software	<u>17,407</u>	<u>13,759</u>
Subtotal	44,776	19,643
Less: accumulated depreciation	<u>13,149</u>	<u>3,461</u>
Total property and equipment – net of accumulated depreciation	\$ <u>31,627</u>	\$ <u>16,182</u>

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted as follows:

	<u>2005</u>	<u>2004</u>
Outreach	\$ 250,000	\$ 224,697
Love A Sister	<u>5,200</u>	<u>125,198</u>
Total temporarily restricted net assets	\$ <u>255,200</u>	\$ <u>349,895</u>