

SURF AID INTERNATIONAL, USA

FINANCIAL STATEMENTS

March 31, 2011

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TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Senior Management of the Surf Aid International, USA

We have audited the accompanying statement of financial position of Surf Aid International, USA (a nonprofit organization) as of March 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Surf Aid International, USA'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 provide 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 Surf Aid International, USA as of March 31, 2011, 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.

Redfern & Company

Encinitas, California
June 29, 2011

SURF AID INTERNATIONAL USA
STATEMENT OF FINANCIAL POSITION
 March 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 259,412
Accounts receivable	28,335
Inventory	2,354
Prepaid expenses	<u>5,268</u>

TOTAL CURRENT ASSETS 295,369

NON CURRENT ASSETS

Deposit	1,390
Equipment, net	<u>1,406</u>

2,796

TOTAL ASSETS \$ 298,165

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 21,177
Accrued expenses	<u>9,125</u>

TOTAL CURRENT LIABILITIES 30,302

NET ASSETS

Unrestricted	150,066
Temporarily restricted	<u>117,797</u>

TOTAL NET ASSETS 267,863

TOTAL LIABILITIES AND NET ASSETS \$ 298,165

SURF AID INTERNATIONAL USA
STATEMENT OF ACTIVITIES
Year Ended March 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 274,069	\$ 145,817	\$ 419,886
Grants	155,000	174,000	329,000
Special events, net of expenses of \$37,589	31,132	-	31,132
Merchandise sales, net of costs of good sold of \$1,449	2,953	-	2,953
Other income	11	-	11
Net assets released from restrictions, satisfaction of program restrictions	<u>397,937</u>	<u>(397,937)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	861,102	(78,120)	782,982
EXPENSES			
Program services	806,294	-	806,294
Supporting services			
Management and general	115,364	-	115,364
Fundraising	<u>150,559</u>	<u>-</u>	<u>150,559</u>
TOTAL EXPENSES	<u>1,072,217</u>	<u>-</u>	<u>1,072,217</u>
DECREASE IN NET ASSETS	(211,115)	(78,120)	(289,235)
NET ASSETS AT BEGINNING OF YEAR	<u>361,181</u>	<u>195,917</u>	<u>557,098</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 150,066</u></u>	<u><u>\$ 117,797</u></u>	<u><u>\$ 267,863</u></u>

SURF AID INTERNATIONAL USA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2011

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Payments to affiliates	\$ 769,937	\$ -	\$ -	\$ 769,937
Salaries and related expenses	-	44,722	74,577	119,299
Development	-	133	41,534	41,667
Professional services	-	23,538	17,451	40,989
Billabong Schools expenses	36,357	-	-	36,357
Rent	-	8,937	6,150	15,087
Travel, conferences and meetings	-	28,040	145	28,185
Bank and credit card fees	-	679	7,431	8,110
Telephones and internet	-	1,010	1,873	2,883
Supplies	-	2,774	-	2,774
Insurance	-	2,592	-	2,592
Utilities	-	242	1,188	1,430
Advertising	-	1,244	-	1,244
Depreciation	-	711	-	711
Interest expense	-	359	-	359
Staff development	-	-	210	210
Miscellaneous expenses	-	135	-	135
Postage, shipping and delivery	-	127	-	127
Filing fees and taxes	-	121	-	121
	<u>\$ 806,294</u>	<u>\$ 115,364</u>	<u>\$ 150,559</u>	<u>\$ 1,072,217</u>

SURF AID INTERNATIONAL USA
STATEMENT OF CASH FLOWS
Year Ended March 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (289,235)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents used by operating activities:	
Depreciation	711
Changes in operating assets and liabilities:	
Accounts receivable and prepaid expenses	87,150
Inventory	1,211
Accounts payable	6,772
Accrued expenses	<u>(6,766)</u>
NET CASH AND CASH EQUIVALENTS USED BY OPERATING ACTIVITIES	(200,157)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(682)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(200,839)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>460,251</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>259,412</u></u>

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2011

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Surf Aid International, USA (Organization) is a California nonprofit public benefit corporation. Its mission is to improve health, wellbeing and self-reliance of people living in isolated regions connected to us through surfing. The Organization raises funds to support education and human health related services provided free of charge to indigenous peoples in developing nations, who live in areas where infectious malaria is prevalent in its proximity to surfing areas. The Organization supports, with money and materials, the efforts of a volunteer doctor and a handful of assistants who live and work in the field.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of short term, highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restricted is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2011

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

The accounts receivables arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management considers accounts receivable to be fully collectible. Accordingly, no allowance is considered necessary at March 31, 2011.

Inventory

Inventories of t-shirts and wristbands are valued at the lower of cost, donated value or market, determined on the last-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Property and equipment of \$500 or more are capitalized as assets and are depreciated over their estimated useful lives of five to 40 years using the straight-line method. Items that are useable by others are either donated to individuals, directed to other nonprofit Organizations, or sold for cash, in which case the amount received is reflected as a contribution in the financial statements. Expenditures for maintenance and repairs are charged against operations. Amortization of leasehold improvements is included in depreciation expense.

Compensated Absences

Vested and accumulated personal time off (PTO) is recorded as an expense and liability as benefits accrue to employees. The accrued PTO liability totaled \$4,502 at March 31, 2011 and is included in accrued expenses in the statement of financial position.

Donated Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the year ended March 31, 2011, did not meet the requirements above; therefore no amounts were recognized in the financial statements.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization, however, may be subject to tax on income which is not related to its exempt purpose. For the year ended March 31, 2011 the Organization is reporting no such unrelated business taxable income and, therefore, no provision for income taxes has been made. The Organization is not a private Foundation.

Advertising

The Organization expenses the cost of advertising as incurred.

Subsequent Events

The Organization has evaluated subsequent events through June 29, 2011, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended March 31, 2011.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2011

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions that may, at times, exceed the federally insured limits. The Organization manages the risk by using institutions management believes to be high quality.

NOTE 3. PROPERTY AND EQUIPMENT

The Property and equipment consist of the following at March 31, 2011:

Equipment	\$ <u>7,996</u>
	7,996
Less accumulated depreciation	<u>(6,590)</u>
	<u>\$ 1,406</u>

NOTE 4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following at March 31, 2011:

Watsan	\$ 62,528
Earthquake relief 2007	2,720
Padang earthquake 2009	13,549
Katiet	28,000
Nias health program	<u>11,000</u>
	<u>\$ 117,797</u>

NOTE 5. PAYMENTS TO AND FROM AFFILIATE

The Organization made payments in the amount of \$769,937 to Surf Aid Indonesia for use in their programs for the year ended March 31 2011.

The Organization recorded receivables of \$10,422 and \$9,337 from Surf Aid Australia and Surf Aid New Zealand at December 31, 2010.

The Organization recorded a payable of \$16,670 to Surf Aid Australia at December 31, 2010.

NOTE 6. LEASE COMMITMENT

The Organization leases office space. For the year ended March 31, 2011, monthly payments for the office lease was \$15,088.

Future minimum lease payments under this lease at March 31, 2011 are due as follows:

Year Ending March 31,	
<u>2012</u>	\$ 13,125
Thereafter	<u>-</u>
	<u>\$ 13,125</u>

NOTE 7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and usage.