

**SURF AID INTERNATIONAL USA**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2010**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

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## Independent Auditor's Report

To the Board of Directors  
Surf Aid International USA  
530 Second Street  
Encinitas, California 92024

We have audited the accompanying statement of financial position of Surf Aid International USA as of March 31, 2010, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Surf Aid International USA's 2009 financial statements and in our report dated June 17, 2009 expressed an unqualified opinion on those financial statements.

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 the 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 Surf Aid International USA as of March 31, 2010, 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.

Leaf & Cole LLP  
San Diego, California  
July 9, 2010

**SURF AID INTERNATIONAL USA**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b><u>Current Assets:</u></b> (Notes 1, 2 and 3)		
Cash and cash equivalents	\$ 460,252	\$ 607,222
Accounts receivable	78,002	55,888
Contribution receivable	15,000	-
Grant receivable	25,000	-
Inventory	3,565	9,917
Prepaid expenses	2,750	718
Total Current Assets	<u>584,569</u>	<u>673,745</u>
 <b><u>Noncurrent Assets:</u></b> (Notes 1 and 4)		
Deposits	1,390	2,405
Equipment, net	1,435	2,580
Total Noncurrent Assets	<u>2,825</u>	<u>4,985</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 587,394</u>	 <u>\$ 678,730</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Note 1)		
Accounts payable and accrued expenses	\$ 30,297	\$ 28,202
Total Current Liabilities	<u>30,297</u>	<u>28,202</u>
 Total Liabilities	 <u>30,297</u>	 <u>28,202</u>
 <b><u>Commitment</u></b> (Note 7)		
 <b><u>Net Assets:</u></b> (Notes 1, 5 and 8)		
Unrestricted	361,180	421,475
Temporarily restricted	195,917	229,053
Total Net Assets	<u>557,097</u>	<u>650,528</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 587,394</u>	 <u>\$ 678,730</u>

The accompanying notes are an integral part of the financial statements.

**SURF AID INTERNATIONAL USA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2009)**

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
<b><u>Revenue and Support:</u></b>				
Contributions	\$ 325,324	\$ 160,549	\$ 485,873	\$ 634,313
Grants	150,439	314,099	464,538	266,732
Special events	67,814	-	67,814	93,889
In-kind contributions	6,480	-	6,480	15,631
Merchandise sales	4,922	-	4,922	14,683
Interest income	260	-	260	3,889
Other income	-	-	-	300
Net assets released from restrictions	507,784	(507,784)	-	-
Total Revenue and Support	<u>1,063,023</u>	<u>(33,136)</u>	<u>1,029,887</u>	<u>1,029,437</u>
<b><u>Expenses:</u></b>				
<b>Program Services</b>	<u>851,743</u>	<u>-</u>	<u>851,743</u>	<u>593,429</u>
<b>Supporting Services:</b>				
Fundraising	163,671	-	163,671	127,705
General and administrative	85,209	-	85,209	133,331
Total Supporting Services	<u>248,880</u>	<u>-</u>	<u>248,880</u>	<u>261,036</u>
Total Program and Supporting Services Expenses	<u>1,100,623</u>	<u>-</u>	<u>1,100,623</u>	<u>854,465</u>
<b>Special Events</b>	<u>12,808</u>	<u>-</u>	<u>12,808</u>	<u>14,816</u>
<b>Merchandise Costs</b>	<u>9,887</u>	<u>-</u>	<u>9,887</u>	<u>8,493</u>
Total Expenses	<u>1,123,318</u>	<u>-</u>	<u>1,123,318</u>	<u>877,774</u>
Change in Net Assets	(60,295)	(33,136)	(93,431)	151,663
Net Assets at Beginning of Year, As Reclassified (Note 8)	<u>421,475</u>	<u>229,053</u>	<u>650,528</u>	<u>498,865</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 361,180</u>	<u>\$ 195,917</u>	<u>\$ 557,097</u>	<u>\$ 650,528</u>

The accompanying notes are an integral part of the financial statements.

**SURF AID INTERNATIONAL USA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2009)**

	2010			2009 Total	
	Program	General and Administrative	Fundraising		Total
Salaries	\$ -	\$ 50,044	\$ 86,384	\$ 136,428	\$ 115,839
Payroll taxes	-	2,716	9,738	12,454	-
Employee benefits	-	1,170	9,799	10,969	37,637
Total Payroll	<u>-</u>	<u>53,930</u>	<u>105,921</u>	<u>159,851</u>	<u>153,476</u>
Payments to affiliates	788,685	-	-	788,685	541,023
Billabong schools	58,099	-	-	58,099	7,232
Professional fees	861	13,735	11,433	26,029	44,775
Conferences and meetings	1,735	2,124	13,071	16,930	31,939
Bank charges	-	2,830	7,071	9,901	10,123
Printing and reproduction	-	-	9,006	9,006	6,113
Rent	1,023	1,512	6,445	8,980	24,050
Supplies	599	2,291	747	3,637	4,855
Trade shows	-	-	3,088	3,088	1,556
Insurance	159	1,395	1,252	2,806	2,739
Telephone	127	961	1,508	2,596	2,607
Postage and shipping	418	419	1,449	2,286	2,409
Depreciation	-	2,029	-	2,029	2,184
Miscellaneous	-	1,513	109	1,622	3,528
Loss on disposal of equipment	-	1,460	-	1,460	2,246
Utilities	37	536	689	1,262	3,974
Advertising	-	-	1,250	1,250	7,656
Subscriptions and publications	-	-	632	632	1,579
Interest	-	474	-	474	58
Repairs and maintenance	-	-	-	-	343
Total Expenses	<u>851,743</u>	<u>31,279</u>	<u>57,750</u>	<u>940,772</u>	<u>700,989</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 851,743</u>	<u>\$ 85,209</u>	<u>\$ 163,671</u>	<u>\$ 1,100,623</u>	<u>\$ 854,465</u>

The accompanying notes are an integral part of the financial statements.

**SURF AID INTERNATIONAL USA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2010  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2009)**

	<u>2010</u>	<u>2009</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (93,431)	\$ 151,663
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	2,029	2,184
Loss on disposal of equipment	1,460	2,246
<b>(Increase) Decrease in:</b>		
Accounts receivable	(22,114)	(36,598)
Contributions receivable	(15,000)	-
Grant receivable	(25,000)	-
Inventory	6,352	(3,496)
Prepaid expenses	(2,032)	2,863
Deposit	1,015	-
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	2,095	10,027
Net Cash (Used in) Provided by Operating Activities	<u>(144,626)</u>	<u>128,889</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of equipment	<u>(2,344)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(2,344)</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(146,970)	128,889
Cash and Cash Equivalents, Beginning of the Year	<u>607,222</u>	<u>478,333</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u><u>\$ 460,252</u></u>	<u><u>\$ 607,222</u></u>

The accompanying notes are an integral part of the financial statements.

**SURF AID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

Surf Aid International USA (“Surf Aid”) is a California Not-For-Profit Surf Aid. Its mission is to improve health, wellbeing and self-reliance of people living in isolated regions connected to us through surfing. Surf Aid 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. Surf Aid supports, with money and materials, the efforts of a volunteer doctor and a handful of assistants who live and work in the field.

**Significant Accounting Policies**

**Method of Accounting**

The financial statements of Surf Aid have been prepared on the accrual basis of accounting which is in accordance with U.S. generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.



**SURF AID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Fair Value Measurements**

Surf Aid has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value. Surf Aid had no financial instruments at March 31, 2010 and 2009.

**Receivables**

Management believes that all receivables were fully collectible; therefore, no allowance for doubtful accounts was recorded at March 31, 2010 and 2009.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**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.

**SURF AID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Capitalization and Depreciation**

Equipment is recorded at cost. Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, Surf Aid reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Surf Aid reclassifies temporarily restricted net assets to unrestricted net assets at that time. Equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Equipment	3-7 years
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Depreciation aggregated \$2,029 and \$2,184 for the years ended March 31, 2010 and 2009, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

**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 \$8,543 and \$7,587 at March 31, 2010 and 2009, respectively and is included in accounts payable and accrued expenses.

**Donated Services, Office Space and Materials**

Surf Aid 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 years ended March 31, 2010 and 2009, did not meet the requirements above; therefore no amounts were recognized in the financial statements.

In-kind contributions of supplies with an estimated fair value of \$-0- and \$2,391 for the years ended March 31, 2010 and 2009, respectively, and are included in supplies in the statement of functional expenses and merchandise costs in the statement of activities.

In-kind contributions of office space with an estimated fair value of \$6,480 and \$3,240 for the years ended March 31, 2010 and 2009, respectively, and are included as rent in the statement of functional expense.

In-kind contributions of inventory with an estimated fair value of \$-0- and \$10,000 for the years ended March 31, 2010 and 2009, respectively, and are included in inventory in the statement of financial position and merchandise costs in the statement of activities.

**SURF AID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Allocated Expenses**

Expenses by function have been allocated among program and supporting services classifications on the basis of records and on estimates made by the Surf Aid's management.

**Income Tax Status**

Surf Aid is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Surf Aid is not a private foundation.

Surf Aid uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

**Concentration of Credit Risk**

Surf Aid maintains its cash and investments in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. Surf Aid has not experienced any losses in such accounts. Surf Aid believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, Surf Aid considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Comparative Totals for March 31, 2009**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Surf Aid's financial statements for the year ended March 31, 2009, from which the summarized information was derived.

**Subsequent Events**

In preparing these financial statements, Surf Aid has evaluated events and transactions for potential recognition or disclosure through July 9, 2010, the date the financial statements were available to be issued.

**Note 2 – Contributions Receivable:**

Contributions receivable totaling \$15,000 and \$-0- at March 31, 2010 and 2009, respectively are due within one year.

**SURF AID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**Note 3 - Grant Receivable:**

Grant receivable consists of the following at March 31:

	<u>2010</u>	<u>2009</u>
Marisla Foundation	\$ 25,000	\$ -
Total Grant Receivable	<u>\$ 25,000</u>	<u>\$ -</u>

**Note 4 -Equipment:**

Equipment consists of the following at March 31:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 7,314	\$ 11,105
Subtotal	7,314	11,105
Less: Accumulated depreciation	(5,879)	(8,525)
Equipment, Net	<u>\$ 1,435</u>	<u>\$ 2,580</u>

**Note 5 - Temporarily Restricted Net Assets:**

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

	<u>2010</u>	<u>2009</u>
Mentawai CBHP #2	\$ 100,000	\$ 100,000
Water and sanitation (Watsan)	43,647	6,333
Marisla Foundation	25,000	-
Padang earthquake relief	13,550	-
Nias health program (All for the Kids)	11,000	-
Earthquake relief 2007	2,720	122,720
Total Temporarily Restricted Net Assets	<u>\$ 195,917</u>	<u>\$ 229,053</u>

Net assets totaling \$507,784 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the year ended March 31, 2010.

**Note 6- Affiliated Organizations:**

Surf Aid made the following payments to affiliates for use in their programs for the years ended March 31:

	<u>2010</u>	<u>2009</u>
Surf Aid Indonesia	<u>\$ 788,685</u>	<u>\$ 541,023</u>

**SURF AID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR MARCH 31, 2009)**

**Note 7 - Commitment:**

Surf Aid occupied office space provided on a rent free basis until January 31, 2010. In-kind rent has been recorded totaling \$6,480 and \$3,240 for the years ended March 31, 2010 and 2009, respectively.

Effective February 1, 2010, Surf Aid leases office space under a lease agreement expiring January 31, 2011.

The following is a schedule of future minimum lease payments under the lease:

<u>Years Ended</u> <u>March 31,</u>	
2011	\$ <u>12,500</u>
	\$ <u>12,500</u>

Rent expense totaled \$2,500 and \$-0- for the years ended March 31, 2010 and 2009, respectively.

**Note 8 – Net Asset Reclassification:**

Surf Aid has reclassified certain net assets as of March 31, 2010 and 2009 as follows:

	<u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Total</u>
Net Assets, March 31, 2009, as originally reported	\$ 521,475	\$ 129,053	\$ 650,528
Net assets reclassification:			
Mentawai CBHP #2 Grant	(100,000)	100,000	-
Net Assets, March 31, 2009, as Reclassified	<u>\$ 421,475</u>	<u>\$ 229,053</u>	<u>\$ 650,528</u>