

UBUNTU EDUCATION FUND, INC.  
AND AFFILIATES

Combined Financial Statements

and

Supplementary Information

June 30, 2009

# UBUNTU EDUCATION FUND, INC. AND AFFILIATES

## Index

	<u>Page</u>
Independent Auditor's Report	1
Combined Statements of Financial Position as of June 30, 2009 and 2008	2
Combined Statements of Activities for the Years Ended June 30, 2009 and 2008	3
Combined Statements of Cash Flows for the Years Ended June 30, 2009 and 2008	4
Notes to Combined Financial Statements	5-10
<u>Supplementary Information</u>	11
Independent Auditor's Report on the Supplementary Information	12
Combined Schedule of Functional Expenses for the Year Ended June 30, 2009	13
Combined Schedule of Functional Expenses for the Year Ended June 30, 2008	14

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Ubuntu Education Fund, Inc.  
and Affiliates

We have audited the accompanying combined statements of financial position of Ubuntu Education Fund, Inc. and Affiliates as of June 30, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Ubuntu Education Fund (South Africa), a combined foreign affiliate, as of June 30, 2009 and 2008 and for the years then ended, which statements reflect total assets and total public support and revenue constituting 86% and 37%, respectively, for the year ended June 30, 2009 and 71% and 37%, respectively, for the year ended June 30, 2008 of the related combined totals. Except as explained in the third paragraph, those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ubuntu Education Fund (South Africa), is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

The opinion of the other auditors on the financial statements of Ubuntu Education Fund (South Africa) as of June 30, 2008 and for the year then ended was qualified because they were not able to extend their examination of donations in-kind and non-related party cash donations beyond the receipts actually recorded.

In our opinion, based on our audits and the report of the other auditors, except for the effects of such adjustments as of June 30, 2008 and for the year then ended, if any, that might have been determined to be necessary had the other auditors been able to test the completeness of the receipts, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Ubuntu Education Fund, Inc. and Affiliates as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ MHM Mahoney Cohen CPAs

New York, New York  
February 16, 2010

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
 Combined Statements of Financial Position  
 June 30, 2009 and 2008

ASSETS (Note 8)

	<b>2009</b>	<b>2008</b>
Current assets:		
Cash and cash equivalents	\$ 3,069,256	\$ 2,489,735
Current portion of grants receivable, net (Note 4)	494,633	766,747
Prepaid expenses and other current assets	8,888	22,403
Total current assets	3,572,777	3,278,885
Long-term portion of grants receivable, net (Note 4)	54,054	155,804
Property and equipment, net (Note 5)	2,551,442	831,149
Security deposits	14,500	14,500
	\$ 6,192,773	\$ 4,280,338

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 300,008	\$ 91,707
Current portion of deferred rent (Note 11)	-	5,524
Total current liabilities	300,008	97,231
Deferred rent (Note 11)	1,956	1,656
Commitments (Note 11)		
Net assets:		
Unrestricted	5,480,282	3,419,971
Temporarily restricted (Note 6)	410,527	761,480
Total net assets	5,890,809	4,181,451
	\$ 6,192,773	\$ 4,280,338

See accompanying notes.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
 Combined Statements of Activities  
 For the Years Ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue (Notes 3 and 7):						
Contributions	\$ 1,545,445	\$ 214,047	\$ 1,759,492	\$ 701,166	\$ 159,302	\$ 860,468
Grants	499,208	-	499,208	545,842	-	545,842
Capital campaign	733,159	-	733,159	569,798	139,861	709,659
Government funding	705,527	-	705,527	538,565	-	538,565
Special event revenue (net of direct expenses of \$270,776 in 2009 and \$40,215 in 2008)	937,425	-	937,425	613,937	-	613,937
Donated goods and services (Note 10)	466,060	-	466,060	516,541	-	516,541
Other income	38,107	-	38,107	645,348	-	645,348
Net assets released from restrictions (Note 6)	565,000	(565,000)	-	690,000	(690,000)	-
Total public support and revenue	<u>5,489,931</u>	<u>(350,953)</u>	<u>5,138,978</u>	<u>4,821,197</u>	<u>(390,837)</u>	<u>4,430,360</u>
Expenses (Notes 9 and 11):						
Program services	2,638,713	-	2,638,713	1,991,162	-	1,991,162
Supporting services:						
Management and general services	317,731	-	317,731	280,165	-	280,165
Fundraising	473,176	-	473,176	310,518	-	310,518
Total supporting services	<u>790,907</u>	<u>-</u>	<u>790,907</u>	<u>590,683</u>	<u>-</u>	<u>590,683</u>
Total expenses	<u>3,429,620</u>	<u>-</u>	<u>3,429,620</u>	<u>2,581,845</u>	<u>-</u>	<u>2,581,845</u>
Change in net assets	2,060,311	(350,953)	1,709,358	2,239,352	(390,837)	1,848,515
Net assets, beginning of year	<u>3,419,971</u>	<u>761,480</u>	<u>4,181,451</u>	<u>1,180,619</u>	<u>1,152,317</u>	<u>2,332,936</u>
Net assets, end of year	<u>\$ 5,480,282</u>	<u>\$ 410,527</u>	<u>\$ 5,890,809</u>	<u>\$ 3,419,971</u>	<u>\$ 761,480</u>	<u>\$ 4,181,451</u>

See accompanying notes.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
 Combined Statements of Cash Flows  
 For the Years Ended June 30, 2009 and 2008

	<b>2009</b>	<b>2008</b>
Cash flows from operating activities:		
Change in net assets	\$ 1,709,358	\$ 1,848,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,788	18,170
Deferred rent	(5,224)	(4,452)
Donated property and equipment	(10,000)	-
Change in assets and liabilities:		
Grants receivable	373,939	292,309
Prepaid expenses and other current assets	13,515	(20,529)
Accounts payable and accrued expenses	209,868	44,730
Net cash provided by operating activities	2,323,244	2,178,743
 Cash flows used in investing activities:		
Purchase of property and equipment	(1,742,315)	(550,502)
 Effect of exchange rate changes on cash	(1,408)	(1,424)
 Net increase in cash and cash equivalents	579,521	1,626,817
 Cash and cash equivalents, beginning of year	2,489,735	862,918
 Cash and cash equivalents, end of year	\$ 3,069,256	\$ 2,489,735

See accompanying notes.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
Notes to Combined Financial Statements

Note 1 - The Organization

Ubuntu Education Fund, Inc. ("UEF US") and its affiliates, Ubuntu Education Fund ("UEF SA") and Friends of Ubuntu Education Fund UK ("UEF UK") (collectively, the "Organization"), is dedicated to creating programs to assist vulnerable children and families in South Africa. The Organization provides life saving HIV support services as essential educational resources to over 40,000 children and their families. UEF US is a not-for-profit organization incorporated under the laws of the State of New York.

UEF US is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. UEF SA is exempt from income taxes under provisions of Section 21 of the South Africa Revenue Service. Under UK HM Revenue and Customs, UEF UK is exempt from tax on most income and gains from various sources, as long as certain conditions are met.

UEF US and its affiliates are all under common control. All significant intercompany accounts have been eliminated in the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The combined financial statement presentation follows Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report 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. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets is the class of net assets that is subject to donor-imposed stipulations that they be maintained permanently by an organization. As of June 30, 2009 and 2008, the Organization does not have any permanently restricted net assets.

Revenue and Expenses

Revenue is reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. The Organization reports donor-restricted contributions where restrictions are met in the same reporting period as changes in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. The Organization considers all contributions available for unrestricted use, unless specifically restricted by the donor or due in future periods, in which case they are recorded as temporarily restricted.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost or fair market value at the date of purchase or gift. Depreciation of property and equipment is provided on a straight-line basis over estimated useful lives of three to ten years. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Foreign Currency Translation

Net exchange gains or losses resulting from the translation of assets and liabilities of the foreign affiliates are included within other income. Foreign currency translation resulted in an aggregate gain of \$36,940 and \$619,387 for the years ended June 30, 2009 and 2008, respectively.

The financial statements of UEF SA and UEF UK are presented in South African Rands and British Pounds, respectively, and are translated for the combined financial statements.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

Note 3 - Major Grantors or Contributors

During the year ended June 30, 2009, one government agency and one foundation accounted for approximately 26% of total public support and revenue. During the year ended June 30, 2008, one government agency accounted for approximately 12% of total public support and revenue.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
Notes to Combined Financial Statements

Note 4 - Grants Receivable

As of June 30, the Organization has unconditional grants receivable as follows:

	<u>2009</u>	<u>2008</u>
Due within 1 year	\$ 498,160	\$ 781,071
Due years 2 through 5	<u>60,000</u>	<u>165,000</u>
	558,160	946,071
Present value discount (at rate of 5%)	<u>(9,473)</u>	<u>(23,520)</u>
Grants receivable, net	<u>\$ 548,687</u>	<u>\$ 922,551</u>

Note 5 - Property and Equipment

At June 30, property and equipment consists of:

	<u>2009</u>	<u>2008</u>
Land and buildings	\$ 237,335	\$ 218,358
Construction-in-progress: building	2,136,365	529,407
Equipment	136,851	76,324
Furniture and fixtures	61,131	18,519
Motor vehicles	<u>72,729</u>	<u>49,722</u>
	2,644,411	892,330
Less: Accumulated depreciation	<u>92,969</u>	<u>61,181</u>
	<u>\$ 2,551,442</u>	<u>\$ 831,149</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, consist of the following:

	<u>2009</u>	<u>2008</u>
Program services:		
Capital campaign	\$ 55,000	\$ 215,000
Other program services	35,000	80,000
Supporting services:		
Time restriction	<u>330,000</u>	<u>490,000</u>
	420,000	785,000
Present value discount (at rate of 5%)	<u>(9,473)</u>	<u>(23,520)</u>
	<u>\$ 410,527</u>	<u>\$ 761,480</u>

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
Notes to Combined Financial Statements

Note 6 - Temporarily Restricted Net Assets (Continued)

For the years ended June 30, the amounts released from restrictions consist of:

	2009	2008
Program services:		
Capital campaign	\$ 160,000	\$ 340,000
Other program services	45,000	-
Supporting services:		
Time restriction	360,000	350,000
	\$ 565,000	\$ 690,000

Note 7 - Related Party Transactions

During the years ended June 30, 2009 and 2008, the Organization received a contribution of \$26,000 and \$23,000, respectively, from an individual related to an officer of the Organization.

Note 8 - Notes Payable - Bank

The Organization has a line of credit with a bank that provides for maximum borrowings of \$50,000, which is collateralized by substantially all the assets of the Organization. Interest is charged at 4.75% at June 30, 2009. As of June 30, 2009 and 2008, the Organization was not indebted to its bank.

Note 9 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the program and the supporting services benefited.

Note 10 - Donated Goods and Services

For the years ended June 30, 2009 and 2008, the Organization received approximately \$466,000 and \$517,000, respectively, in donated goods and services, which consist mostly of program supplies and contributed legal services.

Contributed legal services include the value of services provided by an attorney in general corporate matters.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
Notes to Combined Financial Statements

Note 11 - Commitments

Operating Lease

UEF US leases an office facility under a non-cancellable operating lease expiring through September 2014. Minimum aggregate annual lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2010	\$ 45,000
2011	46,000
2012	47,000
2013	49,000
2014	50,000
2015	<u>13,000</u>
	<u>\$ 250,000</u>

Rent expense, including escalation costs, charged to operations for the years ended June 30, 2009 and 2008 amounted to approximately \$75,000 and \$37,000, respectively.

The accompanying combined financial statements reflect rent expense on a straight-line basis over the term of the lease in accordance with accounting principles generally accepted in the United States of America. An obligation of approximately \$2,000 and \$7,000 at June 30, 2009 and 2008, respectively, representing the pro rata future rent payments, is included in the combined statements of financial position. Included in rent expense for the years ended June 30, 2009 and 2008 is decreased rent in the amount of \$5,224 and \$4,452, respectively, which represents the difference between the amount paid pursuant to the lease and rent expense calculated pursuant to the method referred to above.

Note 12 - Subsequent Events

The Organization has evaluated subsequent events through February 16, 2010, the date the financial statements were available to be issued, and has concluded that no such events or transactions took place which would require disclosure herein.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION

The Board of Directors  
Ubuntu Education Fund, Inc.  
and Affiliates

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, accordingly, we express no opinion on it.

/s/ MHM Mahoney Cohen CPAs

New York, New York  
February 16, 2010

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
(Supplementary Information)  
Combined Schedule of Functional Expenses  
For the Year Ended June 30, 2009

	<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Program Services</b>	<b>Management and General Services</b>	<b>Fundraising</b>	
Salaries and related expenses:				
Salaries	\$ 1,128,508	\$ 113,990	\$ 162,172	\$ 1,404,670
Payroll taxes and health benefits	125,997	11,378	17,622	154,997
Total salaries and related expenses	1,254,505	125,368	179,794	1,559,667
Other expenses:				
Program supplies	424,668	-	-	424,668
Community infrastructure	20,468	-	-	20,468
Community event	35,977	-	-	35,977
Client direct support	255,672	-	-	255,672
Community workshops and after school programs	5,247	-	-	5,247
Travel	96,052	11,246	21,628	128,926
Development and marketing	58,177	6,691	10,947	75,815
Rent	62,377	7,045	5,159	74,581
Utilities and insurance	15,989	1,195	3,552	20,736
Office expense	47,195	2,096	10,250	59,541
Professional fees	85,077	35,630	20,262	140,969
Communication	34,796	2,113	3,191	40,100
Computer expense	64,240	2,466	14,977	81,683
Payroll service fees	3,688	1,998	1,998	7,684
Training and conferences	23,521	371	3,525	27,417
Bank fees	-	12,605	-	12,605
Contributed legal services	-	86,201	-	86,201
Depreciation	9,236	20,857	1,695	31,788
Temporary help	35,413	-	789	36,202
Indirect benefit expenses	96,028	-	193,710	289,738
Miscellaneous	10,387	1,849	1,699	13,935
Total other expenses	1,384,208	192,363	293,382	1,869,953
Total expenses	\$ 2,638,713	\$ 317,731	\$ 473,176	\$ 3,429,620

See independent auditor's report on the supplementary information.

UBUNTU EDUCATION FUND, INC. AND AFFILIATES  
(Supplementary Information)  
Combined Schedule of Functional Expenses  
For the Year Ended June 30, 2008

	Program Services	Supporting Services		Total Expenses
		Management and General Services	Fundraising	
Salaries and related expenses:				
Salaries	\$ 876,978	\$ 78,083	\$ 127,287	\$ 1,082,348
Payroll taxes and health benefits	86,657	7,999	12,249	106,905
Total salaries and related expenses	963,635	86,082	139,536	1,189,253
Other expenses:				
Program supplies	400,976	-	-	400,976
Community infrastructure	25,378	-	-	25,378
Community event	20,623	-	-	20,623
Client direct support	212,552	-	-	212,552
Community workshops and after school programs	1,568	-	-	1,568
Travel	65,448	392	27,981	93,821
Development and marketing	62,338	-	18,224	80,562
Rent	19,680	7,569	9,409	36,658
Utilities and insurance	10,619	1,084	2,649	14,352
Office expense	39,946	2,128	4,300	46,374
Professional fees	13,595	32,904	29,137	75,636
Communication	36,477	2,581	5,013	44,071
Computer expense	26,125	2,215	3,135	31,475
Payroll service fees	767	200	271	1,238
Training and conferences	20,804	3,557	2,114	26,475
Bank fees	-	6,378	12	6,390
Contributed legal services	-	125,047	-	125,047
Depreciation	6,435	9,459	2,276	18,170
Temporary help	24,327	-	725	25,052
Indirect benefit expenses	-	-	65,170	65,170
Miscellaneous	39,869	569	566	41,004
Total other expenses	1,027,527	194,083	170,982	1,392,592
Total expenses	\$ 1,991,162	\$ 280,165	\$ 310,518	\$ 2,581,845

See independent auditor's report on the supplementary information.