

**CHILDREN OF UGANDA  
FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2009**

**Children of Uganda  
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December 31, 2009**

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# SALMON SIMS THOMAS

*Accountants and Consultants*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Children of Uganda

We have audited the accompanying combined statement of financial position of Children of Uganda (a Texas nonprofit corporation), as of December 31, 2009, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Children of Uganda Limited (Uganda Country Program) which reflected total assets of \$63,507 as of December 31, 2009 and total support and revenues of \$475,976 for the year then ended. 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 the Uganda Country Program, is based solely on the report of the other auditors.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Children of Uganda as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole as of and for the year ended December 31, 2009. The supplemental schedules on pages 12 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Salmon Sims Thomas & Associates".

Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

Dallas, Texas  
January 11, 2011

**Children of Uganda**  
**Combined Statement of Financial Position**  
**December 31, 2009**

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**ASSETS**

Cash	\$ 123,400
Accounts receivable, net of allowance for doubtful accounts	83,134
Prepaid expenses	3,220
Fixed assets, net of accumulated depreciation	<u>26,166</u>
TOTAL ASSETS	<u><u>\$ 235,920</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 14,592
Payroll and related liabilities	1,497
Accrued expenses	<u>2,221</u>
Total Liabilities	18,310
Net Assets, unrestricted	<u>217,610</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 235,920</u></u>

The accompanying notes are an integral part of this financial statement.

**Combined Children of Uganda**  
**Combined Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2009**

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**UNRESTRICTED NET ASSETS**

**Operating Revenues**

Contributions and gifts	\$	579,602
Grants		-
Other income		45,174
Total Operating Revenues		624,776

**Operating Expenses**

Program services		323,960
Management and general		237,460
Fundraising		12,021
Total Operating Expenses		573,441

Operating income		51,335
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**Other Activities**

Foreign exchange loss		(9,924)
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Increase in Net Assets		41,411
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<b>Net Assets, December 31, 2008</b>		176,199
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<b>Net Assets, December 31, 2009</b>		\$ 217,610
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The accompanying notes are an integral part of this financial statement.

**Children of Uganda**  
**Combined Statement of Cash Flows**  
**For the Year Ended December 31, 2009**

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<b>Cash Flows From Operating Activities</b>	
Increase in Net Assets	\$ 41,411
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	7,105
(Increase) in assets:	
Accounts receivable	(15,885)
Prepaid expenses	(1,980)
Increase (decrease) in liabilities:	
Accounts payable	(3,890)
Payroll and related liabilities	(618)
Accrued expenses	1,013
Net Cash Provided by Operating Activities	<u>27,156</u>
 <b>Cash Flows From Investing Activities</b>	
Purchase of equipment	<u>(12,721)</u>
Net Cash Used by Operating Activities	<u>(12,721)</u>
 Net Increase in Cash	 14,435
 <b>Cash, December 31, 2008</b>	 <u>108,965</u>
 <b>Cash, December 31, 2009</b>	 <u>\$ 123,400</u>
 <b>Supplemental Cash Flow Information</b>	
Interest paid	<u>\$ 194</u>

The accompanying notes are an integral part of this financial statement.

**Children of Uganda**  
**Combined Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Basic education LSS program	\$ 99,789	\$ -	\$ -	\$ 99,789
Youth development program	70,157	-	-	70,157
Other program expenses	66,158	-	-	66,158
Salaries and related benefits	51,233	144,977	6,404	202,614
Depreciation	-	7,105	-	7,105
Travel, meals and entertainment	2,527	-	-	2,527
Professional fees	-	6,068	-	6,068
Utilities	560	70	70	700
Office	16,740	77,597	-	94,337
Insurance	4,547	569	569	5,685
Occupancy	8,591	1,074	1,074	10,739
Printing and postage	3,658	-	3,904	7,562
	<u>\$ 323,960</u>	<u>\$ 237,460</u>	<u>\$ 12,021</u>	<u>\$ 573,441</u>

The accompanying notes are an integral part of this financial statement.

**Children of Uganda**  
**Note to Financial Statements**  
**December 31, 2009**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of Children of Uganda (Agency) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Agency's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization**

Children of Uganda, who formally changed their name from Uganda Children's Charity Foundation on September 1, 2006, was formed and incorporated in 1995 in the State of Texas. The purpose of the Agency is to enhance the ability of Ugandan orphans to fulfill their own educational, economic, and social needs in the future by providing them with the opportunity to obtain an education.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include the assumption in recording the realizable value of receivables, depreciation and functional allocation of expenses. Actual results could differ from estimates.

**Revenues and Expenses**

The primary source of support to the Agency is voluntary contributions from individuals, generally in the form of child sponsorships, and organizations located primarily in the United States.

**Allowance for Doubtful Accounts**

The Agency has established an allowance for doubtful accounts based on past performance. Generally, all accounts over six months past due are deemed uncollectible. Uncollectible accounts receivable are specifically identified and charged to the allowance account. Recovered bad debts are credited to income when collected. At December 31, 2009, the allowance for doubtful accounts was \$20,780.

**Financial Statement Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Agency and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

**Children of Uganda**  
**Note to Financial Statements**  
**December 31, 2009**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**  
**Financial Statement Presentation (Continued)**

There were no donor-imposed restrictions; accordingly, all net assets of the Agency are considered unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted 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 are recognized as revenues in the period unconditional promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value.

**Cash and Cash Equivalents**

The Agency considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. There were no cash equivalents as of December 31, 2009. Cash at times may exceed federally insured limits.

**Property and Equipment**

Property and equipment used in the U.S. programs and operations are recorded at cost. Donated property and equipment is recorded at fair value at the date of the gift. The Agency follows the practice of capitalizing all fixed asset expenditures over \$1,000. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computers and equipment	3 - 7 years
Vehicles	7 years
Furniture and fixtures	7 - 10 years

**Foreign Operations**

Accountability for the Ugandan operation support costs includes a bank account to which funds are wired from the Washington office. The Agency's in-country director administers the account. Funds from the account are debited as directed by the Board, and set forth in a pre-approved budget, and the Board is provided with balanced statements monthly. Accordingly, all monies transferred to the Agency's Ugandan bank account to support their efforts in Uganda are accounted for as "children's support expenses" of the Agency at the time they are disbursed. Expenditures in Uganda may also include amounts for maintenance of the buildings and equipment located there. These expenditures have also been consistently accounted for as children's support expenses as incurred by the Agency.

**Children of Uganda**  
**Note to Financial Statements**  
**December 31, 2009**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign Operations (Continued)**

The title to such properties remains in the names of the orphanages to which the money was given for such projects. The President of the Board and Board Members periodically make visits and inspections of the Ugandan operations.

**Income Taxes**

The Agency is a nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code, and, as such, is exempt from federal income taxes. Accordingly, no federal income taxes are recorded in the accompanying financial statements.

The Financial Accounting Standards Board (FASB) issued an interpretation regarding uncertainty in income taxes. This interpretation clarifies when an uncertainty in income taxes should be recognized in an enterprise's financial statements in accordance with FASB ASC 740-10, *Accounting for Income Taxes*, and is effective for fiscal years beginning after December 15, 2008. The Agency adopted the provisions of this pronouncement for 2009 and the adoption did not impact the amounts reported in the Agency's financial statements.

**NOTE 2: IN-KIND CONTRIBUTIONS**

Donated services are recognized as contributions in accordance with generally accepted accounting principles, 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 Agency. Accordingly, a substantial number of volunteers have donated significant amounts of their time to the Agency; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

The Agency also received various in-kind contributions such as clothing, food, and supplies during 2009. The amounts are considered immaterial and have not been recorded in the financial statements.

**Children of Uganda**  
**Note to Financial Statements**  
**December 31, 2009**

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**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2009 consisted of the following:

Equipment	\$ 11,819
Vehicles	28,221
Computer equipment	35,238
Furniture and fixtures	<u>6,267</u>
Total Property and Equipment	81,545
Less: Accumulated depreciation	<u>(55,379)</u>
Net Property and Equipment	\$ <u>26,166</u>

Depreciation expense for 2009 was \$7,105.

**NOTE 4: COMMITMENTS**

**Operating Leases**

The Agency had a noncancellable operating lease agreement to lease office space through September 2009. The Agency has since rented the lease office on a month-to-month basis. Total rent expense for the year ended December 31, 2009 was approximately \$10,700.

**NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS**

In September 2006, the FASB issued a statement on fair value measurements. This statement provides a new definition for fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Agency adopted the provisions of this statement as of January 1, 2008. The statement establishes a fair value hierarchy that 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 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The Agency adopted the statement January 1, 2009 as it relates to nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis. Management has determined that this statement has not had an effect on those nonfinancial assets and liabilities.

The Agency did not hold any assets or liabilities as of December 31, 2009 subject to fair value reporting.

**Children of Uganda**  
**Note to Financial Statements**  
**December 31, 2009**

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**NOTE 6: CHILDREN OF UGANDA LIMITED FINANCIAL STATEMENTS**

The Agency's financial statements have been combined with those of Children of Uganda Limited (Uganda Country Program) and which were audited by other auditors. The Uganda Country Program was audited in accordance with International Standards on Auditing, and the financial statements were prepared in accordance with International Financial Reporting Standards. The accounting principles applied do not contain a material departure from the accounting principles generally accepted in the United States of America.

**NOTE 7: SUBSEQUENT EVENTS**

In May 2009, the FASB issued guidance, now codified as FASB ASC Topic 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. This pronouncement is effective for interim or fiscal periods ending after June 15, 2009. The adoption of ASC Topic 855 did not have a significant impact on the financial condition or results of operations. Subsequent events have been evaluated for potential recognition or disclosure through January 11, 2011, which is the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**Children of Uganda**  
**Combining Statement of Financial Position**  
**December 31, 2009**

	<u>United States</u>	<u>Uganda</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 87,863	\$ 35,537	\$ 123,400
Accounts receivables, net	83,134	-	83,134
Prepaid expenses	-	3,220	3,220
Fixed assets, net	1,416	24,750	26,166
	<u>\$ 172,413</u>	<u>\$ 63,507</u>	<u>\$ 235,920</u>
<b>TOTAL ASSETS</b>			
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,049	\$ 11,543	\$ 14,592
Payroll and related liabilities	1,497	-	1,497
Accrued expenses	2,221	-	2,221
Total Liabilities	<u>6,767</u>	<u>11,543</u>	<u>18,310</u>
Net Assets, unrestricted	<u>165,646</u>	<u>51,964</u>	<u>217,610</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 172,413</u>	<u>\$ 63,507</u>	<u>\$ 235,920</u>

See auditors' report.

**Children of Uganda**  
**Combining Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2009**

	<u>United States</u>	<u>Uganda</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Operating revenue</b>				
Grants from U.S. Office	\$ -	\$ 430,890	\$ (430,890)	\$ -
Contributions and gifts	579,602	-	-	579,602
Grants	-	-	-	-
Other income	88	45,086	-	45,174
Total Operating Revenues	<u>579,690</u>	<u>475,976</u>	<u>(430,890)</u>	<u>624,776</u>
<b>Operating Expenses</b>				
Program services	518,746	236,104	(430,890)	323,960
Management and general	14,954	222,506	-	237,460
Fundraising	12,021	-	-	12,021
Total Operating Expenses	<u>545,721</u>	<u>458,610</u>	<u>(430,890)</u>	<u>573,441</u>
Operating income	33,969	17,366	-	51,335
Foreign currency loss	<u>-</u>	<u>(9,924)</u>	<u>-</u>	<u>(9,924)</u>
Increase in Total Net Assets	33,969	7,442	-	41,411
<b>Net Assets, December 31, 2008</b>	<u>131,677</u>	<u>44,522</u>	<u>-</u>	<u>176,199</u>
<b>Net Assets, December 31, 2009</b>	<u>\$ 165,646</u>	<u>\$ 51,964</u>	<u>\$ -</u>	<u>\$ 217,610</u>

See auditors' report.

**Children of Uganda**  
**Combining Statement of Cash Flows**  
**For the Year Ended December 31, 2009**

	<u>United States</u>	<u>Uganda</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Increase in Net Assets	\$ 33,969	\$ 7,442	\$ 41,411
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation expense	278	6,827	7,105
(Increase) in assets:			
Accounts receivable	(15,885)	-	(15,885)
Prepaid expenses	-	(1,980)	(1,980)
Increase (decrease) in liabilities:			
Accounts payable	(4,735)	845	(3,890)
Payroll and related liabilities	(618)	-	(618)
Accrued expenses	1,340	(327)	1,013
Net Cash Provided by Operating Activities	<u>14,349</u>	<u>12,807</u>	<u>27,156</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of equipment	<u>(1,017)</u>	<u>(11,704)</u>	<u>(12,721)</u>
Net Cash Used by Operating Activities	<u>(1,017)</u>	<u>(11,704)</u>	<u>(12,721)</u>
 Net Increase in Cash	 13,332	 1,103	 14,435
 <b>Cash, December 31, 2008</b>	 <u>74,531</u>	 <u>34,434</u>	 <u>108,965</u>
 <b>Cash, December 31, 2009</b>	 <u>\$ 87,863</u>	 <u>\$ 35,537</u>	 <u>\$ 123,400</u>
 <b>Supplemental Cash Flow Information</b>			
Interest paid	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 194</u>

See auditors' report.

**Children of Uganda**  
**Combining Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>UNITED STATES</b>				
Uganda children's support	\$ 430,890	\$ -	\$ -	\$ 430,890
Salaries and related benefits	51,233	6,404	6,404	64,041
Depreciation	-	278	-	278
Travel, meals and entertainment	2,527	-	-	2,527
Professional fees	-	6,068	-	6,068
Utilities	560	70	70	700
Office	16,740	491	-	17,231
Insurance	4,547	569	569	5,685
Occupancy	8,591	1,074	1,074	10,739
Printing and postage	3,658	-	3,904	7,562
	<u>518,746</u>	<u>14,954</u>	<u>12,021</u>	<u>545,721</u>
<b>UGANDA</b>				
Basic education LSS program	99,789	-	-	99,789
Youth development program	70,157	-	-	70,157
Other program expenses	66,158	-	-	66,158
Salaries	-	138,573	-	138,573
Administrative	-	77,106	-	77,106
Depreciation	-	6,827	-	6,827
	<u>236,104</u>	<u>222,506</u>	<u>-</u>	<u>458,610</u>
Eliminating entries	<u>(430,890)</u>	<u>-</u>	<u>-</u>	<u>(430,890)</u>
<b>TOTAL EXPENSES</b>	<u>\$ 323,960</u>	<u>\$ 237,460</u>	<u>\$ 12,021</u>	<u>\$ 573,441</u>

See auditors' report.