

CAMP KUDZU, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2009 AND 2008

CAMP KUDZU, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Camp Kudzu, Inc.:

We have audited the accompanying statements of financial position of Camp Kudzu, Inc. (a nonprofit organization) as of September 30, 2009 and 2008 and the related statements of activities, statements of cash flows and statements of functional expenses for the years then ended. These financial statements are the responsibility of Camp Kudzu, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camp Kudzu, Inc. as of September 30, 2009 and 2008, 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
January 6, 2010

CAMP KUDZU, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 385,807	\$ 304,123
Investments	-	100,000
Grants receivable	10,000	10,000
Inventory	76,847	
Accrued interest receivable		436
Prepaid expenses	25,401	10,392
Property and equipment, net	6,180	13,669
Deposits	<u>1,375</u>	<u>11,975</u>
Total assets	<u>\$ 505,610</u>	<u>\$ 450,595</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 20,423	\$ 23,099
Deferred revenue	<u>14,200</u>	<u>1,450</u>
Total liabilities	<u>34,623</u>	<u>24,549</u>
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for operations	62,185	107,074
Designated for working capital reserves	300,000	300,000
Temporarily restricted	<u>108,802</u>	<u>18,972</u>
Total net assets	<u>470,987</u>	<u>426,046</u>
Total liabilities and net assets	<u>\$ 505,610</u>	<u>\$ 450,595</u>

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

CAMP KUDZU, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenues and support:		
Contributions	\$ 117,403	\$ 179,419
Donated services and materials	590,099	554,808
Foundation grants	167,115	186,177
Special events	128,781	112,333
Less costs of direct benefit to donors	(33,549)	(39,696)
Camp program income	209,669	197,034
Investment income	8,314	11,495
Net assets released from program restrictions	89,729	58,207
Total revenues and support	<u>1,277,561</u>	<u>1,259,777</u>
Expenses:		
Program	1,099,741	998,041
General and Administrative	96,668	73,497
Fundraising	126,042	111,425
Total expenses	<u>1,322,451</u>	<u>1,182,963</u>
Increase (decrease) in unrestricted net assets	<u>(44,890)</u>	<u>76,814</u>
Changes in temporarily restricted net assets:		
Contributions and grants	179,561	56,070
Net assets released from restrictions	<u>(89,730)</u>	<u>(58,207)</u>
Increase (decrease) in temporarily restricted net assets	<u>89,831</u>	<u>(2,137)</u>
Increase in net assets	44,941	74,677
Net assets at beginning of year	<u>426,046</u>	<u>351,369</u>
Net assets at end of year	<u>\$ 470,987</u>	<u>\$ 426,046</u>

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

CAMP KUDZU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Program	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 156,806	\$ 41,561	\$ 109,227	\$ 307,594
Donated professional services	300,089	6,077	-	306,166
Facility charges	244,447	4,592	4,686	253,725
Camp supplies	329,535	-	-	329,535
Enrichment	15,813	-	-	15,813
Insurance	3,334	7,919	1,111	12,364
Office supplies & postage	6,370	3,336	2,496	12,202
Printing & reproduction	3,515	4,693	1,342	9,550
Telephone	6,024	1,714	2,217	9,955
Travel & entertainment	2,861	1,482	827	5,170
Contractor services	-	1,347	-	1,347
Professional fees	-	11,000	-	11,000
Volunteer recruitment & screening	11,219	181	-	11,400
Dues and subscriptions	2,564	383	594	3,541
Web site-repairs & maintenance	12,632	3,292	2,044	17,968
Bank charges and credit card fees	-	4,166	-	4,166
Depreciation	4,493	1,498	1,498	7,489
Other expenses	39	3,427	-	3,466
Total expenses	\$ 1,099,741	\$ 96,668	\$ 126,042	\$ 1,322,451

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

CAMP KUDZU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 132,305	\$ 29,163	\$ 95,378	\$ 256,846
Donated professional services	255,168	5,059	-	260,227
Facility charges	217,913	4,679	3,980	226,572
Camp supplies	329,979	-	-	329,979
Enrichment	13,226	-	-	13,226
Insurance	10,392	2,801	2,801	15,994
Office supplies & postage	6,120	2,262	3,304	11,686
Printing & reproduction	1,236	1,734	871	3,841
Telephone	6,498	1,769	1,785	10,052
Travel & entertainment	4,887	1,970	753	7,610
Contractor services	-	1,269	-	1,269
Professional fees	-	7,500	-	7,500
Volunteer recruitment & screening	9,084	295	-	9,379
Dues and subscriptions	675	1,300	245	2,220
Web site-repairs & maintenance	-	1,100	-	1,100
Bank charges and credit card fees	-	2,687	-	2,687
Transportation	1,771	-	-	1,771
Depreciation	6,902	2,300	2,300	11,502
Repairs and maintenance	-	4,855	-	4,855
Other expenses	1,885	2,754	8	4,647
Total expenses	\$ <u>998,041</u>	\$ <u>73,497</u>	\$ <u>111,425</u>	\$ <u>1,182,963</u>

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

CAMP KUDZU, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 44,941	\$ 74,677
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,489	11,502
Unrealized (gain) loss on securities	-	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	-	(10,000)
Inventory	(76,847)	-
Accrued interest receivable	436	2,824
Prepaid expenses	(15,009)	672
Deposits	10,600	(9,600)
(Increase) decrease in:		
Accrued expenses	(2,676)	12,118
Deferred revenue	12,750	1,450
Total adjustments	<u>(63,257)</u>	<u>8,966</u>
Net cash provided by (used in) operating activities	<u>(18,316)</u>	<u>83,643</u>
Cash flows from investing activities:		
Purchase of investment in certificates of deposit	-	(106,838)
Proceeds on redemption of investments	<u>100,000</u>	<u>162,962</u>
Net cash provided by (used in) investing activities	<u>100,000</u>	<u>56,124</u>
Increase (decrease) in cash and cash equivalents	81,684	139,767
Cash and cash equivalents, beginning of year	<u>304,123</u>	<u>164,356</u>
Cash and cash equivalents, end of year	<u>\$ 385,807</u>	<u>\$ 304,123</u>

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

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

1. Nature of Organization and Significant Accounting Policies

Nature of Activities

Camp Kudzu, Inc. (Camp Kudzu) is a not-for-profit corporation formed in 1999 in Atlanta, Georgia by a concerned group of parents, doctors, allied health professionals and community leaders seeking health programs for children with diabetes, with a positive camping and health education experience. Camp Kudzu is dedicated to year round family programming support for Georgia families living with diabetes. Camp Kudzu is supported through contributions from the community and from camper's families, who are asked to contribute a small portion toward camp expenses, based on the ability to pay. Contributions from the community allow Camp Kudzu to serve families of limited financial resources and assure that no child is turned away because of inability to pay. Camp Kudzu is dedicated to creating a stress-free, fun and safe environment to develop positive diabetes management for children.

Basis of Accounting

The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Classification of Net Assets

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 described as follows:

Unrestricted Net Assets are not subject to donor-imposed restrictions. Net assets included in this class include unrestricted gifts and earnings on unrestricted funds.

Temporarily Restricted Net Assets are subject to donor-imposed restrictions. Net assets included in this class include gifts for restricted purposes. Net assets included in this class include amounts for sponsorship of summer camps and teen programming.

Permanently Restricted Net Assets are subject to donor-imposed restrictions requiring that the net assets be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

Contributions

Camp Kudzu accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor related restrictions.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

1 Nature of Organization and Significant Accounting Policies - Continued

Contributions

All donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction 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.

Donated Materials and Services

Donated services and materials are recorded at their estimated fair value at date of donation. In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Camp Kudzu also received significant amounts of donated time from camp counselors and other volunteers during the years ended September 30, 2009 and 2008, but the value of this donated time was not recognized in the financial statements because they do not meet the criteria for recognition under SFAS No. 116.

Fair Value of Financial Instruments

Cash equivalents, accounts receivable, and accounts payable are carried at amounts which approximate their fair value due to the short-term nature of these instruments. Investment assets (certificate of deposit) are classified in accordance with SFAS No. 157 *Fair Value Measurements*, as further described in Note 4.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities as well as in the statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited as required by SFAS No. 117.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

1. Nature of Organization and Significant Accounting Policies - Continued

Income Taxes

Under Internal Revenue Code Section 501(c)(3), Camp Kudzu, Inc. is exempt from income taxes. In the opinion of management, the Organization continues to operate as a tax-exempt organization and, accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

Cash and Cash Equivalents

The Organization considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of demand deposits with several financial institutions.

Concentration of Credit Risk

The balances in Camp Kudzu's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The aggregate bank balances at various financial institutions at September 30, 2009 were not in excess of FDIC limits. The aggregate bank balances at various financial institutions at September 30, 2008 exceeded this insured limit by \$109,215. As of October 3, 2008, FDIC insurance coverage of demand deposit accounts was raised from \$100,000 to \$250,000 and is effective through December 2013.

Inventory

The Organization records its medical supplies inventory at lower of cost or market under the first-in, first-out (FIFO) method. The FIFO method assumes that items flow through inventory in the order they were donated or received. The FIFO method produces an inventory account that more closely approximates replacement costs since inventory consists of the items that were donated or received most recently. The Organization's inventory at September 30, 2009 consists of \$76,847 in donated medical supplies inventory to be used for summer camps.

Investments

Investments consist of certificates of deposit and marketable equity securities. In accordance with SFAS No. 124, investments in securities with readily determinable fair value are reported at fair value based on quoted market prices with all unrealized gains and losses reported in the statements of activities.

Promises to Give

Unconditional promises to give are recognized as contributions revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefit received. Promises to give are recorded at their net realizable value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

1. Nature of Organization and Significant Accounting Policies - Continued

Property and Equipment

Property and equipment are stated at either cost or, for donated property, the fair market value at the time of donation. Camp Kudzu follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation and amortization are determined using the straight-line over the estimated economic life of the related asset. Computers and computer software are depreciated over a three -year life.

Deferred Revenues

Income from various camp fees received prior to the fiscal year to which it applies is not recognized as revenue until the year earned.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of Camp Kudzu to review its working capital needs from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such needs.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurements*. FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles, and expands disclosures about fair value measurements; however, it does not require any new fair value measurements. The provisions of this statement are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. There was no impact on the Organization's financial statements as a result of the adoption of SFAS No. 157.

Advertising Expense

Advertising costs are expensed as incurred.

Subsequent Events

Management has evaluated events and transactions which occurred through January 6, 2010 which was the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

2. Cash and Cash Equivalents

Camp Kudzu considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents. Unrestricted cash and cash equivalents for the years ending September 30, 2009 and 2008 were \$330,805 and \$285,151, respectively. Restricted cash and cash equivalents for the years ending September 30, 2009 and 2008 were \$108,802 and \$18,972, respectively.

3. Promises to Give

There were no unconditional promises to give for the years ending September 30, 2009 and 2008.

4. Investments

Investments consist of certificates of deposit and marketable equity securities. In accordance with SFAS No. 124, investments in securities with readily determinable fair value are reported at fair value based on quoted market prices with all unrealized gains and losses reported in the statements of activities.

Camp Kudzu's investment at September 30, 2009 and 2008 consists of certificates of deposit recorded at fair value and summarizes as follows:

	2009	2008
Certificates of deposit	\$ -	\$ 100,000
Total investments	\$ -	\$ 100,000

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended September 30:

	September 30, 2009		September 30, 2008	
	Unrestricted	Total	Unrestricted	Total
Investment income	\$ 8,314	\$ 8,314	\$ 11,495	\$ 11,495
Realized loss	-	-	-	-
Total investment income	\$ 8,314	\$ 8,314	\$ 11,495	\$ 11,495

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

5. Property and Equipment

Property and equipment consist of the following at September 30:

	2009	2008
Furniture and fixtures	\$ 12,239	\$ 12,239
Leasehold improvements	3,375	3,375
Computers and computer software	20,052	20,052
Less: accumulated depreciation	(29,486)	(21,997)
Total property and equipment, net	\$ 6,180	\$ 13,669

Depreciation expense for the years ending September 30, 2009 and 2008 was \$7,489 and \$11,502, respectively.

6. Operating Leases

Camp Kudzu, Inc. conducts its programs at facilities leased under short-term rental agreements. There are no continuing obligations related to the rent agreements. For the years ended September 30, 2009 and 2008, total rent expense for all operating leases was \$253,725 and \$226,572, respectively. Camp Kudzu, Inc. currently leases office space under a cancelable operating lease agreement. However, the lease agreement stipulates specific terms that will make it probable that the lease term will continue through the expiration date of October 31, 2010. Future minimum rental commitments under this lease for the years ending September 30, 2010 and 2011 are \$28,500 and \$2,375, respectively.

7. Donated Services and Materials

Donated services and materials are included in contributions revenue and operating expenses, and ending inventory in the accompanying statement of activities and are summarized as follows for the years ended September 30:

	2009	2008
Medical services	\$ 300,089	\$ 255,168
Accounting services	6,077	5,059
Medical supplies	207,086	294,581
Additions to inventory	76,847	-
Total donated services and materials	\$ 590,099	\$ 554,808

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

8. Restrictions/Limitations on Net Assets

Camp Kudzu's board of directors has chosen to place limitations on unrestricted net assets. Net assets designated for working capital reserves are \$300,000 for the years ended September 30, 2009 and 2008, respectively.

Temporarily restricted net assets at September 30, 2009 and 2008 are comprised of funds Camp Kudzu has received subject to donor-imposed restrictions consisting primarily of amounts received for sponsorship of summer camps and teen programming for the years ending September 30, 2009 and 2008, respectively.

Net assets released from donor restrictions for the years ending September 30, 2009 and 2008 were \$89,730 and \$58,207, respectively. Amounts were released by incurring expenditures in connection with contributions received to help fund various programs including Summer Camp 2009 and 2008.

9. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of Camp Kudzu deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

10. Effect of Current Economic Conditions on Contributions

During 2008 and 2009, problems in the United States and global credit markets related initially to subprime mortgages, mortgage-backed securities, and commercial paper have resulted in illiquidity in the trade of these investments and in credit markets in general. As a result of several high-profile investment and commercial bank failures, these problems have affected the broader U.S. and global equity markets, as well as consumer confidence. It is uncertain how this downturn in the financial markets and consumer confidence may affect the operations, funding and contribution income of nonprofit organizations in the near future.

The Organization depends heavily on contributions and grants for its revenue. The ability of certain contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's Board of Directors believes it has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on many interdependent factors.