

CAMP KUDZU, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2008 AND 2007

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, 2008 and 2007 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, 2008 and 2007, 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 8, 2009

CAMP KUDZU, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 304,123	\$ 164,356
Investments	100,000	156,124
Grants receivable	10,000	-
Accrued interest receivable	436	3,260
Prepaid expenses	10,392	11,064
Property and equipment, net	13,669	25,171
Deposits	<u>11,975</u>	<u>2,375</u>
Total assets	<u>\$ 450,595</u>	<u>\$ 362,350</u>
 LIABILITIES AND NET ASSETS		
Accrued expenses	\$ 23,099	\$ 10,981
Deferred revenue	<u>1,450</u>	<u>-</u>
Total liabilities	<u>24,549</u>	<u>10,981</u>
Commitments and contingencies		
Net assets:		
Unrestricted:		
Available for operations	107,074	30,260
Designated for working capital reserves	300,000	300,000
Temporarily restricted	<u>18,972</u>	<u>21,109</u>
Total net assets	<u>426,046</u>	<u>351,369</u>
Total liabilities and net assets	<u>\$ 450,595</u>	<u>\$ 362,350</u>

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

CAMP KUDZU, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenues and support:		
Contributions	\$ 179,419	\$ 132,728
Donated services and materials	554,808	454,808
Foundation grants	186,177	141,381
Special events	112,333	90,312
Less costs of direct benefit to donors	(39,696)	(39,220)
Camp program income	197,034	112,650
Investment income	11,495	18,168
Net assets released from program restrictions	58,207	119,698
Total revenues and support	<u>1,259,777</u>	<u>1,030,525</u>
Expenses:		
Program	998,041	865,415
General and Administrative	73,497	163,030
Fundraising	111,425	68,051
Total expenses	<u>1,182,963</u>	<u>1,096,496</u>
Increase (decrease) in unrestricted net assets	<u>76,814</u>	<u>(65,971)</u>
Changes in temporarily restricted net assets:		
Contributions and grants	56,070	130,807
Net assets released from restrictions	<u>(58,207)</u>	<u>(119,698)</u>
Increase (decrease) in temporarily restricted net assets	<u>(2,137)</u>	<u>11,109</u>
Increase (decrease) in net assets	74,677	(54,862)
Net assets at beginning of year	<u>351,369</u>	<u>406,231</u>
Net assets at end of year	<u>\$ 426,046</u>	<u>\$ 351,369</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, 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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 69,834	\$ 88,607	\$ 42,071	\$ 200,512
Donated professional services	234,001	7,153	-	241,154
Facility charges	209,244	4,098	4,098	217,440
Camp supplies	273,742	-	-	273,742
Enrichment	11,862	-	-	11,862
Insurance	5,409	2,216	2,216	9,841
Office supplies & postage	5,477	5,214	4,199	14,890
Printing & reproduction	4,522	9,695	420	14,637
Promotional activities	-	-	892	892
Telephone	6,297	2,115	1,808	10,220
Travel & entertainment	4,846	4,821	64	9,731
Contractor services	11,385	18,268	9,424	39,077
Professional fees	0	6,334	-	6,334
Volunteer recruitment & screening	13,819	1,354	-	15,173
Dues and subscriptions	500	1,561	-	2,061
Web site-repairs & maintenance	-	2,162	-	2,162
Bank charges and credit card fees	-	1,691	-	1,691
Transportation	4,427	-	-	4,427
Depreciation	4,401	1,467	1,467	7,335
Repairs and maintenance	-	2,200	-	2,200
Other expenses	5,649	4,074	1,392	11,115
Total expenses	<u>\$ 865,415</u>	<u>\$ 163,030</u>	<u>\$ 68,051</u>	<u>\$ 1,096,496</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>74,677</u>	\$ <u>(54,862)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,502	7,335
Unrealized (gain) loss on securities	-	2
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(10,000)	18,500
Unconditional promises to give	-	16,000
Accrued interest receivable	2,824	(2,248)
Prepaid expenses	672	(2,194)
Deposits	(9,600)	2,788
(Increase) decrease in:		
Accrued expenses	12,118	(1,838)
Deferred revenue	1,450	(3,000)
Total adjustments	<u>8,966</u>	<u>35,345</u>
Net cash provided by (used in) operating activities	<u>83,643</u>	<u>(19,517)</u>
Cash flows from investing activities:		
Purchase of investment in certificates of deposit	(106,838)	(164,592)
Proceeds on redemption of investments	162,962	233,645
Purchase of property and equipment	<u>-</u>	<u>(27,707)</u>
Net cash provided by (used in) investing activities	<u>56,124</u>	<u>41,346</u>
Increase (decrease) in cash and cash equivalents	139,767	21,829
Cash and cash equivalents, beginning of year	<u>164,356</u>	<u>142,527</u>
Cash and cash equivalents, end of year	<u>\$ <u>304,123</u></u>	<u>\$ <u>164,356</u></u>

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

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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 Presentation

Camp Kudzu presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Camp Kudzu 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. Camp Kudzu has no permanently restricted net assets.

Basis of Accounting

The financial statements of Camp Kudzu have been prepared on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

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.

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 statement of activities as net assets released from restrictions.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

1. Nature of Organization and Significant Accounting Policies - Continued

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, 2008 and 2007, 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.

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.

Income Taxes

Under Internal Revenue Code Section 501(c)(3), Camp Kudzu, Inc. is exempt from income taxes. Accordingly, no provision for federal and state income taxes is required.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Camp Kudzu considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

1. Nature of Organization and Significant Accounting Policies - Continued

Concentration of Credit Risk

Cash and cash equivalents consist primarily of demand deposits and marketable securities with several financial institutions. 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 \$100,000. The aggregate bank balances at various financial institutions at September 30, 2008 and 2007 exceeded this insured limit by \$109,215 and \$123,791, respectively. As of October 3, 2008, FDIC insurance coverage of demand deposit accounts was raised from \$100,000 to \$250,000.

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 statement 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.

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.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

1. Nature of Organization and Significant Accounting Policies - Continued

Advertising Expense

Advertising costs are expensed as incurred.

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, 2008 and 2007 were \$285,151 and \$143,247, respectively. Restricted cash and cash equivalents for the years ending September 30, 2008 and 2007 were \$18,972 and \$21,109, respectively.

3. Promises to Give

There were no unconditional promises to give for the years ending September 30, 2008 and 2007.

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 statement of activities.

Camp Kudzu's investment at September 30, 2008 and 2007 consist of certificate of deposits recorded at fair value and summarizes as follows:

	<u>2008</u>	<u>2007</u>
Certificates of deposit	\$ <u>100,000</u>	\$ <u>156,124</u>
Total investments	\$ <u><u>100,000</u></u>	\$ <u><u>156,124</u></u>

CAMP KUDZU, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008 AND 2007

4. Investments - Continued

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended September 30, 2008:

	September 30, 2008		September 30, 2007	
	Unrestricted	Total	Unrestricted	Total
Investment income	\$ 11,495	\$ 11,495	\$ 18,166	\$ 18,166
Realized loss	-	-	2	2
Total investment income	\$ 11,495	\$ 11,495	\$ 18,168	\$ 18,168

5. Property and Equipment

Property and equipment consist of the following at September 30:

	2008	2007
Furniture and fixtures	\$ 12,239	\$ 12,239
Leasehold improvements	3,375	3,375
Computers and computer software	20,052	20,052
Less: accumulated depreciation	(21,997)	(10,495)
Total property and equipment, net	\$ 13,669	\$ 25,171

Depreciation expense for the years ending September 30, 2008 and 2007 was \$11,502 and \$7,335, 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, 2008 and 2007, total rent expense for all operating leases was \$226,572 and \$211,640, 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

CAMP KUDZU, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008 AND 2007

6. Operating Leases - Continued

of October 31, 2010. Future minimum rental commitments under this lease for the year ending September 30, 2008 are \$58,375.

7. Donated Services and Materials

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

	<u>2008</u>	<u>2007</u>
Medical services	\$ 255,168	\$ 230,544
Accounting services	5,059	7,153
Medical supplies	294,581	215,838
Other	-	1,273
	<u> </u>	<u> </u>
Total donated services and materials	<u>\$ 554,808</u>	<u>\$ 454,808</u>

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, 2008 and 2007, respectively.

Temporarily restricted net assets at September 30, 2008 and 2007 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, 2008 and 2007, respectively.

Net assets released from donor restrictions for the years ending September 30, 2008 and 2007 were \$58,207 and \$119,698 respectively. Amounts were released by incurring expenditures in connection with contributions received to help fund various programs including Summer Camp 2008 and 2007.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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.

Subsequent to September 30, 2008, 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, and the broad U.S. stock market had fallen significantly from its September 30, 2008 level. 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.