

2011-2012

NORTH SOUTH FOUNDATION

(An Illinois Not for Profit Organization)

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RADHE S. PURANMALKA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
North South Foundation
2 Marissa Court
Burr Ridge , Illinois 60527

Report on Financial Statements:

We have audited the accompanying financial statements of North South Foundation which comprise the statements of financial position arising from cash transactions of North South Foundation as of April 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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CERTIFIED PUBLIC ACCOUNTANTS

circumstances but not for the purpose of expressing an opinion on the effectiveness of organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As described in Note 2(a), these financial statements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

Opinion:

In our opinion, the financial statements referred to above read with notes #1 to 20 thereon present fairly, in all material respects, the financial position arising from cash transactions of North South Foundation, as of April 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended on the basis of accounting described in Note 2(a).

Radhe S. Puranmalka

Radhe S. Puranmalka

May 21, 2013

North South Foundation
Statement of Financial Position

ASSETS		<u>April 30,2012</u>	<u>April 30,2011</u>
Current Assets			
Cash and Cash Equivalents	Note: 4	\$ 1,894,969	\$ 1,470,042
Total Current Assets		<u>1,894,969</u>	<u>1,470,042</u>
Investment in Marketable Securities (at cost)	Notes: 11-13	2,520,999	2,232,455
TOTAL ASSETS		<u>\$ 4,415,968</u>	<u>\$ 3,702,497</u>
 LIABILITIES AND NET ASSETS			
Liabilities			
		-	-
Net Assets			
Unrestricted Fund	Note: 9	2,991,830	2,420,401
Temporarily Restricted Fund	Notes: 6,8,10	1,169,938	1,027,896
Permanently Restricted Fund	Notes: 7, 10	254,200	254,200
Total Net Assets		<u>4,415,968</u>	<u>3,702,497</u>
Total LIABILITIES AND NET ASSETS		<u>\$ 4,415,968</u>	<u>\$ 3,702,497</u>

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

North South Foundation
Statement of Activities
Year Ended April 30, 2012

Notes:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Other Revenue				
Public Support:				
Public Support - Direct	5A& 5B \$ 177,900	\$ 172,750		\$ 350,650
Public Support - Indirect	5A& 5B 503,294			503,294
Total Public Support Revenue	<u>\$ 681,194</u>	<u>\$ 172,750</u>	<u>\$ -</u>	<u>\$ 853,944</u>
Program Service Revenue:				
Educational Contest & Workshop	5A& 5B \$ 251,647			\$ 251,647
Meals and Educational Material	5A& 5B 52,807			52,807
Total Program Service Revenue	<u>\$ 304,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,454</u>
Investment Income:				
Interest	\$ 340	\$ 8		\$ 348
Dididend	34,691	17,582		52,273
Dididend - Capital Gain Distributions	32,241	3,581		35,822
Net Loss on Sale of Investments		-		-
Total Investment Income	<u>\$ 67,272</u>	<u>\$ 21,171</u>	<u>\$ -</u>	<u>\$ 88,443</u>
Net assets released from restrictions	\$ 51,879	\$ (51,879)		\$ -
Total Public Support and Other Revenues	<u>\$ 1,104,799</u>	<u>\$ 142,042</u>	<u>\$ -</u>	<u>\$ 1,246,841</u>
Distributions and Expenses				
Program Service Expenses				
Grants and Distributions	\$ 332,910			\$ 332,910
Other Program Services	191,378			191,378
Total Program Service Expenses	<u>\$ 524,288</u>			<u>\$ 524,288</u>
General and Administrative	9,082			9,082
Total Distributions and Expenses	<u>\$ 533,370</u>			<u>\$ 533,370</u>
Change in Net assets	<u>\$ 571,429</u>	<u>\$ 142,042</u>	<u>\$ -</u>	<u>\$ 713,471</u>
Net assets at beginning of year (as certified by management)	2,420,401	1,027,896	254,200	3,702,497
Net assets at end of year	<u>\$ 2,991,830</u>	<u>\$ 1,169,938</u>	<u>\$ 254,200</u>	<u>\$ 4,415,968</u>

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

North South Foundation
Statement of Activities
Year Ended April 30, 2011

	Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Other Revenue:					
Public Support:					
Public Support - Direct	5A & 5B	\$ 231,470	\$ 24,810		\$ 256,280
Public Support - Indirect	5A & 5B	320,879			320,879
Total Public Support Revenue		\$ 552,349	\$ 24,810	\$ -	\$ 577,159
Program Service Revenue:					
Educational Contest & Workshop	5A & 5B	\$ 160,466			\$ 160,466
Meals and Educational Materials	5A & 5B	48,804			48,804
Total Program Service Revenue		\$ 209,270	\$ -	\$ -	\$ 209,270
Investment Income:					
Interest		\$ 1,406	\$ -		\$ 1,406
Dividend		27,360	15,008		42,368
Dividend - Capital Gain Distributions		13,155	3,357		16,512
Net realized loss on sales of Investments					-
Total Investment Income		\$ 41,921	\$ 18,365	\$ -	\$ 60,286
Net assets released from restrictions		\$ 28,260	\$ (28,260)		\$ -
Total Public Support and Other Revenues		\$ 831,800	\$ 14,915	\$ -	\$ 846,715
Distributions and Expenses					
Program Service Expenses		\$ 221,600			\$ 221,600
Grants and Distributions		161,605			161,605
Other Program Services					
Total Program Service Expenses		\$ 383,205	\$ -	\$ -	\$ 383,205
General and Administrative Expenses		3,716			3,716
Total Distributions and Expenses		\$ 386,921			\$ 386,921
Change in Net assets		\$ 444,879	\$ 14,915	\$ -	\$ 459,794
Net assets at beginning of year (as certified by management)		1,975,522	1,012,981	254,200	3,242,703
Net assets at end of year		\$ 2,420,401	\$ 1,027,896	\$ 254,200	\$ 3,702,497

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

North South Foundation
Statement of Functional Expenses
Year Ended April 30, 2012

<u>Functional Expenses</u>	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries & Related Expenses	-	-	\$ -
Contract Services Expenses:			
Accounting Fees	\$ 60	\$- 5,000	\$ 5,060
Total Contract Services Expenses	<u>\$ 60</u>	<u>\$ 5,000</u>	<u>\$ 5,060</u>
Operations Expenses:			
Supplies	\$ 12,035	\$ -	\$ 12,035
Postage & Mailing Service	\$ 1,753	1,031	2,784
Printing and Copying	\$ 21,842	2,293	24,135
Telephone	\$ 66		66
Trophies & Medals	\$ 15,770		15,770
Event Meals	\$ 29,017		29,017
Education Material for sale	\$ 11,737		11,737
Total Operations Expenses	<u>\$ 92,220</u>	<u>\$ 3,324</u>	<u>\$ 95,544</u>
Facility & Equipment Expenses:			
Rent - Real Estate	\$ 37,560		\$ 37,560
Rent - Furniture & Equipment	\$ 8,300		8,300
Total Facility & Equipment Expenses	<u>\$ 45,860</u>	<u>\$ -</u>	<u>\$ 45,860</u>
Travel Expenses:			
Airfare	\$ 4,344	\$ -	\$ 4,344
Hotels and car rentals	\$ 1,502	\$ -	\$ 1,502
Total Travel Expenses	<u>\$ 5,846</u>	<u>\$ -</u>	<u>\$ 5,846</u>
Other Expenses:			
Bank and credit card fees	\$ 13,610	\$ 730	\$ 14,340
Insurance	\$ 3,485	-	3,485
Outside Computer Services	\$ 27,820	-	27,820
Advertising and other business expenses	\$ 2,477	28	2,505
Total Other Expenses	<u>\$ 47,392</u>	<u>\$ 758</u>	<u>\$ 48,150</u>
Total Functional Expenses	<u><u>\$ 191,378</u></u>	<u><u>\$ 9,082</u></u>	<u><u>\$ 200,460</u></u>

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

North South Foundation
Statement of Functional Expenses
Year Ended April 30, 2011

<u>Functional Expenses</u>	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries & Related Expenses	-	-	\$ -
Contract Services Expenses:			
Accounting Fees	\$ -	\$ -	\$ -
Total Contract Services Expenses	\$ -	\$ -	\$ -
Operations Expenses:			
Supplies	\$ 16,820	\$ -	\$ 16,820
Postage & Mailing Service	1,835	581	2,416
Printing and Copying	22,713	2,293	25,006
Trophies & Medals	13,637	-	13,637
Event Meals	39,323	-	39,323
Education Material for sale	17,097	-	17,097
Total Operations Expenses	\$ 111,425	\$ 2,874	\$ 114,299
Facility & Equipment Expenses:			
Rent - Real Estate	\$ 18,930	\$ -	\$ 18,930
Rent - Furniture & Equipment	\$ 961	\$ -	\$ 961
Total Facility & Equipment Expenses	\$ 19,891	\$ -	\$ 19,891
Travel Expenses:			
Airfare	\$ 1,753	\$ -	\$ 1,753
Hotels and Car Rentals	990	-	990
Total Travel Expenses	\$ 2,743	\$ -	\$ 2,743
Other Expenses:			
Bank and credit card fees	\$ 10,842	\$ 827	\$ 11,669
Insurance	804	-	804
Outside Computer Services	14,500	-	14,500
Advertising and Other Business Expenses	1,400	15	1,415
Total Other Expenses	\$ 27,546	\$ 842	\$ 28,388
Total Functional Expenses	\$ 161,605	\$ 3,716	\$ 165,321

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

**North South Foundation
Statement of Cash Flows**

	<u>Year ended April 30, 2012</u>	<u>Year ended April 30, 2011</u>
Cash flows from operating activities		
Change in net assets	\$ 713,471	\$ 459,794
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized Investment Losses	\$ -	\$ -
Net cash provided by operating activities	<u>713,471</u>	<u>459,794</u>
Cash flows from investment activities		
Investments in Securities	<u>(288,544)</u>	<u>(58,880)</u>
Net cash used by investment activities	(288,544)	(58,880)
Cash flows from financing activities		
Net cash provided by financing activities	-	-
Net change in cash and cash equivalents	424,927	400,914
Cash and cash equivalents, beginning of year	1,470,042	1,069,128
Cash and cash equivalents, end of year	<u>\$ 1,894,969</u>	<u>\$ 1,470,042</u>

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

North South Foundation
Notes to Financial Statements
Year Ended April 30, 2012

(1) **Purpose of Organization:**

The organization was founded in 1989 for operating exclusively for charitable and educational purposes, or such other purposes as may be provided in section 501©(3) of the Internal Revenue Code including for such purposes, the granting of scholarships to qualified third world country students who otherwise could not afford further their education. Current funds are used to fund educational contests in the US, scholarships to students both in USA and India and other charitable purposes.

(2)(a) **Basis of Accounting:**

The foundation maintains its books and records on the cash basis of accounting and as such the financial statements of the foundation have been prepared using the same basis. Under the cash basis of accounting, revenues and related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

(2) (b) Checks issued during the year ended April 30, 2012 were paid by banks in the same period except two checks of \$250 each relating to Program Service Expenses. These have been accounted for in the year they were paid by bank.

(3) **Valuation of non cash contributions:**

The foundation values the non cash contribution by donors at the market value on the date the contribution is received even if the actual cost to the foundation is nil.

(4) **Cash and Cash Equivalents:**

The Foundation treats cash in hand, cash at banks and investment in money market accounts as cash equivalent. The breakdown by account as of April 30,2012 and April30,2011 respectively are as follows:

	<u>April 30,2012</u>	<u>April 30,2011</u>
General Bank Account	218,777	236,384
Educational Contests Bank Account	25,080	10,299
Educational Materials Bank Account	12,993	9,148
General Money Market Account	1,481,035	1,168,739
Scholarship Money Market Account	23,100	29,048
Donor Advised Money Market Account	119,531	1,974
Endowment Money Market Account	14,452	14,451
Total	<u>1,894,969</u>	<u>1,470,042</u>

(5)(a) **Indirect Public Support:**

The Foundation allocates two thirds of contributions received from various educational contests and workshops as charitable contributions and treats the remaining as non charitable contribution. 100% revenue received for meals and educational materials are considered program service revenues and there is no indirect support in those payments.

(5) (b) The foundation has received public support and program service revenue totalling \$1,158,398 and \$786,429 during the years ended on April 30, 2012 and April 30, 2011 respectively. The said revenue has been classified by management into Public support direct and indirect, education contest and workshop. Meals and education materials as per computerised program developed by programmers. Management is responsible for proper classification.

(6) **Donor Advised Fund:**

This is a restricted fund managed by the Foundation based on the directives of the donors. Based on the advice of the donors, the Foundation makes disbursements to charities of their choice provided the recipients meet necessary guidelines.

(7) **Endowment Fund:**

This is a restricted fund which the Foundation can only use income for disbursements in charitable purposes. Donors contribute set amount of principal to the Foundation with the stipulation that the foundation will disburse the income for a stated purpose. For example, a donor can currently set up a \$5000 endowment fund for one scholarship each year in perpetuity.

(8) **US Scholarship Fund:**

This is a restricted fund set up to meet the obligation of the scholarships awarded to the national finals champions each year. The Foundation started educational contests in 1993. The scholarship is redeemable by the awardees during the freshman year of college and is payable to the awardee through their institutions. Foundation treats unclaimed amount of scholarship as restricted fund to meet obligation of foundation towards future award.

(9) **General Fund:**

This is mostly unrestricted fund where funds are deposited unless they belong to the restricted funds stated above or the donor has imposed restriction on the use of funds contributed.

(10) **Classification of Net Assets:**

During the FY2009-10, management has classified its net assets in three categories:

- (1) Unrestricted Funds
- (2) Temporarily Restricted Funds (Includes mainly scholarships and Donor Advised Funds)
- (3) Permanently Restricted Funds (Endowment fund)

Opening balances of these funds as on May 01, 2009 has been taken in financial statements as certified by management.

- (11) Investment in marketable securities (stocks, mutual funds, and exchange traded funds) have been shown in financial statements at cost.

- (12) Investment in marketable securities as above consists of the investments out of the following accounts maintained by the Foundation.

	(April 30, 2012)		(April 30, 2011)	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Donor Advised Fund	909,357	956,420	894,213	938,036
Endowment Fund	292,022	322,393	281,571	315,372
Scholarship Fund	151,818	165,087	146,907	165,351
General Fund	1,167,802	1,291,915	909,767	1,051,187
Total	<u>2,520,999</u>	<u>2,735,816</u>	<u>2,232,457</u>	<u>2,469,946</u>

- (13) Foundation does not recognize unrealized gain or loss on market value of its investments consistent with the cash basis of accounting. As such, no provision for unrealized gain of \$214,817 as of April 30, 2012 and the unrealized gain of \$237,489 as of April 30, 2011 have been made by management in financial statements.

(14) **Grants and distributions breakdown:**

	(April 30, 2012)	(April 30, 2011)
1. NSF India	272,400	175,000
2. Scholarships in USA	5,950	12,500
3. Kuruom Vidyala, Inda	30,000	16,000
4. Bhagavatula Charitable Trust, India	19,860	-
5. Shelter Associates, India	-	10,000
6. Other programs in India	2,600	7,500
7. Other programs in USA	2,100	600
Total	<u>332,910</u>	<u>221,600</u>

(15) **Concentrations:**

Foundation maintains cash and cash equivalents in bank deposit accounts and money market accounts which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

- (16) **Comparable data:**
Financial data and notes on financial statements for prior year have been reclassified and /or regrouped as necessary for the purpose of making them comparable.
- (17) **Subsequent events:**
Management has performed an analysis of the activities and transactions subsequent to April 30, 2012 to determine the need for any adjustment to and/or disclosures within the audited financial statements for the year ended April 30, 2012. Management has performed their analysis through May 21, 2013, the date the financial statements were available to be issued.
- (18) **Related Party Transactions:**
There are no related party transactions during the year.
- (19) **Tax Liability:**
North South foundation is a 501© (3) tax exempt organization and as such no incometax liability has been . accounted for.
- (20) **Use of Estimates:**
Management has not made any estimate in preparation of financial statements for the year ended April 30, 2012. and April 30, 2011 respectively in accordance with cash basis of accounting.

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