NORTH SOUTH FOUNDATION
(An Illinois Not for Profit Organization)

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INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying statement of financial position arising from cash transactions of North South Foundation as of April 30, 2009 and the related statements of activities and cash flows for the year then ended. All records supporting these financial statements are the responsibility of the management of the Foundation. 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 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.

As described in Note 2, 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.

In our opinion, the financial statements referred to above read with notes #1 to 16 thereon present fairly, in all material respects, the financial position arising from cash transactions of the North South Foundation, as of April 30, 2009 and the changes in its net assets and its cash flows for the year then ended on the basis of accounting described in Note 2.

Radhe S. Puranmalka

December 28, 2009
NORTH SOUTH FOUNDATION
(An Illinois Not for Profit Organization)

Statement of Financial Position
April 30, 2009

**ASSETS**

**Current Assets:**

- Cash and Cash Equivalents: Note-4, 14 $908,293

Total Current Assets $908,293

**Investment in Marketable Securities**

(at cost) Notes 11-13 $2,104,146

**TOTAL ASSETS** $3,012,439

**LIABILITIES AND NET ASSETS**

**Total Liabilities** -

**Net Assets** (Includes Restrictions) Notes 6-10 $3,012,439

**TOTAL LIABILITIES AND NET ASSETS** $3,012,439

The accompanying notes are an integral part of the financial statements.
NORTH SOUTH FOUNDATION
(An Illinois Not for Profit Organization)
Statement of Activities
Year ended on April 30, 2009

Public Support and other revenue:
Public Support:
  Public Support –Direct $175,423
  Public Support- indirect Note 5 $190,429
  Public Support- in kind Note 3 $  884
Total Public Support-Revenue $366,736

Program Service Revenue:
  Educational Contest & Workshop Note 5 $ 95,214
  Meals and educational materials Note 5 $ 36,655
Total Program Service Revenue $ 131,869

Investment Income
  Interest $  57
  Dividend $ 46,298
  Dividend-Capital Gain distribution $ 17,033
Total Investment Income $ 63,388

Total Public Support and Other Revenues: $561,993

Distributions and Expenses:

Program Service Expenses
  Grants and distributions $225,059
  Other program Services $  78,232
Total Program Service Expenses $303,291

General and Administrative Expenses $  7,848
Total Distribution and Expenses $311,139

Changes in Net assets:
Net Assets at beginning of year: $2,761,585
Net Assets at the end of year: $3,012,439

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

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Statement of Cash Flows

Year ended April 30, 2009

Cash Flows from Operating Activities:
  Change in net assets $250,854
  Net Cash from Operating Activities: $250,854

Cash Flows from Investing Activities:
  Investments in securities ($ 56,420)

Cash Flows from financing Activities: -

Net Change in Cash and Cash Equivalents: $194,434
  Cash and cash Equivalents at beginning of year $713,859
  Cash and Cash Equivalents at the end of the year $908,293

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

(An Illinois Not for Profit Organization)

Notes to Financial Statements

As of April 30, 2009

1) **Purpose of Organization:**

   The Foundation was founded in 1989 for operating exclusively for charitable and educational purposes, or such other purposes as may be provided in section 501(c)(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 to 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) **Basis of Accounting:**

   The foundation maintains its books and records on the cash basis of accounting and as such 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 earned and expenses are recognized when paid rather than when obligation is incurred.

3) **Valuation of non cash contribution:**

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

4) **Cash and Cash Equivalents:**

   Foundation treats cash in hand, cash at banks and investment in money market accounts as cash equivalents.

The accompanying notes are an integral part of the financial statements
The aggregate of cash and cash equivalent consists of cash with banks and money market accounts from the following accounts and funds maintained by foundation separately.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General account</td>
<td>$31,156</td>
</tr>
<tr>
<td>Educational Contest</td>
<td>$17,578</td>
</tr>
<tr>
<td>Educational materials</td>
<td>$10,898</td>
</tr>
<tr>
<td>Donor Advised fund</td>
<td>$1,972</td>
</tr>
<tr>
<td>Endowment Fund</td>
<td>$14,418</td>
</tr>
<tr>
<td>Scholarship Fund</td>
<td>$47,170</td>
</tr>
<tr>
<td>General Fund</td>
<td>$785,101</td>
</tr>
<tr>
<td>Total</td>
<td>$908,293</td>
</tr>
</tbody>
</table>

5) Indirect Public Support:

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

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.

The accompanying notes are an integral part of the financial statements.
7) **Endowment Fund:**

This is a restricted fund from 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 $5,000 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 awardees through their institutions.

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 a restriction on the use of funds contributed.

10) Management has estimated $254,200 as permanently restricted fund and $1,005,382 as temporarily restricted funds as on April 30, 2009. In the absence of audit reports of prior years regarding such restrictions and documents supporting such restrictions, We do not express an opinion on the amount of permanently and temporarily restricted funds.

The accompanying notes are an integral part of the financial statements.
11) Investment in marketable securities (stocks and mutual funds) has been shown in financial statements at cost as on April 30, 2009 as per details below.

<table>
<thead>
<tr>
<th>Investment Portfolio:</th>
<th>AT COST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
</tr>
<tr>
<td>DODGE &amp; COX BALANCED FUND (DODBX)</td>
<td>2,974,500</td>
</tr>
<tr>
<td>DODGE &amp; COX INCOME FUND (DODIX)</td>
<td>4,569,460</td>
</tr>
<tr>
<td>ISHARES TR (DVY)</td>
<td>904,310</td>
</tr>
<tr>
<td>ISHARES TRUST MSCI EMERGING (EEM)*</td>
<td>2257.39</td>
</tr>
<tr>
<td>ISHARES TRUST (EFA)</td>
<td>1,554.630</td>
</tr>
<tr>
<td>ISHARES TRUST RUSSELL 2000 (IWN)*</td>
<td>1,771.670</td>
</tr>
<tr>
<td>ISHARES TRUST (IWO)*</td>
<td>1,022.300</td>
</tr>
<tr>
<td>ISHARES TR (IWS)*</td>
<td>2,093.170</td>
</tr>
<tr>
<td>Janus Mid cap Value (JMCVX)</td>
<td>2,133.930</td>
</tr>
<tr>
<td>MANAGERS FDS (MBDFX)</td>
<td>4,156.480</td>
</tr>
<tr>
<td>MAIRS &amp; POWER GROWTH FD INC (MPGFX)</td>
<td>1,422.170</td>
</tr>
<tr>
<td>HARRIS ASSOCIATES INVT TRUST (OAKBX)</td>
<td>8,187.840</td>
</tr>
<tr>
<td>NASDAQ 100 SHARES (QQQQ)</td>
<td>3,557.610</td>
</tr>
<tr>
<td>ROYCE FUND (RYLPX)</td>
<td>3,349.470</td>
</tr>
<tr>
<td>SOUND SHORE FUND INC (SSHFX)</td>
<td>1,133.060</td>
</tr>
<tr>
<td>AMERICAN CENTURY TWENTIETH (TWEGX)</td>
<td>4,237.340</td>
</tr>
<tr>
<td>VANGUARD SECTOR INDEX FDS (VDE)</td>
<td>216.650</td>
</tr>
<tr>
<td>VANGUARD SPECIALIZED (VGENX)</td>
<td>1,698.66</td>
</tr>
<tr>
<td>VANGUARD SPECIALIZED (VGHCX)</td>
<td>711.610</td>
</tr>
<tr>
<td>VANGUARD INFL-PROTECTED SECS (VIPSX)</td>
<td>3,272.550</td>
</tr>
<tr>
<td>VANGUARD WELLINGTON FUND INC (VWELX)</td>
<td>6,597.870</td>
</tr>
<tr>
<td>Yahoo Inc.</td>
<td>4,000.000</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
12) Investment in marketable securities consists of the investments from the following funds maintained by foundation separately.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor Advised Fund</td>
<td>$875,410</td>
<td>$646,726</td>
</tr>
<tr>
<td>Endowment Fund</td>
<td>$269,700</td>
<td>$205,193</td>
</tr>
<tr>
<td>Scholarship Fund</td>
<td>$146,398</td>
<td>$103,656</td>
</tr>
<tr>
<td>General Fund</td>
<td>$812,639</td>
<td>$547,927</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,104,146</strong></td>
<td><strong>$1,503,502</strong></td>
</tr>
</tbody>
</table>

13) Foundation is not in a practice of recording any unrealized gain or loss on market value of its investment in stocks and mutual funds. Foundation is consistent to value its investment in marketable securities at cost. As such, no provision for unrealized capital loss of $600,644 as on April 30, 2009 has been made by management in the financial statements.

14) **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.

15) **Comparative Data:**

Financial statements do not include data relating to prior year which need to be reclassified for making it comparable.

16) **Subsequent Events:**

Management has stated that there is a substantial recovery in the market value of its investment in shares and mutual funds subsequent to the date of financial statements till the date of signing of this report. Management has estimated the fair market value of its investment in shares and mutual funds held by it on April 30, 2009 as $1,903,832 on December 22, 2009.

The accompanying notes are an integral part of the financial statements.
According to the management, the unrealized capital loss has narrowed down to $200,314 as on December 22, 2009 from the unrealized loss of $600,644 as on April 30, 2009.

Such changes in the market value of foundation’s investment in shares and mutual funds may affect financial strength of the foundation if unrealized capital loss on its investment is not accounted for. Foundation is however, consistent in presenting its financial statements with the cash basis of accounting.

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