

NORTH SOUTH FOUNDATION
(An Illinois Not for Profit Organization)

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RADHE S. PURANMALKA

CERTIFIED PUBLIC ACCOUNTANTS

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

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

RADHE S. PURANMALKA

CERTIFIED PUBLIC ACCOUNTANTS

NORTH SOUTH FOUNDATION

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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.

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NORTH SOUTH FOUNDATION

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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	<u>\$ 884</u>	

Total Public Support-Revenue \$366,736

Program Service Revenue:

Educational Contest & Workshop	Note 5	\$ 95,214	
Meals and educational materials	Note 5	<u>\$ 36,655</u>	

Total Program Service Revenue \$ 131,869

Investment Income

Interest		\$ 57	
Dividend		\$ 46,298	
Dividend-Capital Gain distribution		<u>\$ 17,033</u>	

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	<u>\$ 78,232</u>	

Total Program Service Expenses \$303,291

General and Administrative Expenses \$ 7,848

Total Distribution and Expenses **\$311,139**

Changes in Net assets: **\$250,854**

Net Assets at beginning of year: \$2,761,585

Net Assets at the end of year: **\$3,012,439**

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Statement of Cash Flows

Year ended April 30, 2009

Cash Flows from Operating Activities:	
Change in net assets	<u>\$250,854</u>
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	<u>\$713,859</u>
Cash and Cash Equivalents at the end of the year	\$908,293

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RADHE S. PURANMALKA

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NORTH SOUTH FOUNDATION

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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.

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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.

<u>General account</u>	\$ 31,156
<u>Educational Contest</u>	\$ 17,578
<u>Educational materials</u>	\$ 10,898
<u>Donor Advised fund:</u>	\$ 1,972
<u>Endowment Fund:</u>	\$ 14,418
<u>Scholarship Fund:</u>	\$ 47,170
<u>General Fund:</u>	<u>\$785,101</u>
Total	\$908,293

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.

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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.

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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.

Investment Portfolio:	AT COST	
	Quantity	Amount
DODGE & COX BALANCED FUND (DODBX)	2974.500	\$ 230,182
DODGE & COX INCOME FUND (DODIX)	4,569.460	\$ 58,433
ISHARES TR (DVY)	904.310	\$ 59,247
ISHARES TRUST MSCI EMERGING (EEM)*	2257.39	\$ 81,166
ISHARES TRUST (EFA)	1,554.630	\$ 97,354
ISHARES TRUST RUSSELL 2000 (IWN)*	1,771.670	\$ 150,862
ISHARES TRUST (IWO)*	1,022.300	\$ 18,926
ISHARES TR (IWS)*	2,093.170	\$ 105,252
Janus Mid cap Value (JMCVX)	2,133.930	\$ 41,051
MANAGERS FDS (MBDFX)	4,156.480	\$ 43,060
MAIRS & POWER GROWTH FD INC (MPGFX)	1,422.170	\$ 92,730
HARRIS ASSOCIATES INVT TRUST (OAKBX)	8,187.840	\$ 194,976
NASDAQ 100 SHARES (QQQQ)	3,557.610	\$ 163,184
ROYCE FUND (RYLPX)	3,349.470	\$ 39,885
SOUND SHORE FUND INC (SSHFX)	1,133.060	\$ 37,179
AMERICAN CENTURY TWENTIETH (TWEGX)	4,237.340	\$ 61,624
VANGUARD SECTOR INDEX FDS (VDE)	216.650	\$ 18,623
VANGUARD SPECIALIZED (VGENX)	1,698.66	\$ 106,233
VANGUARD SPECIALIZED (VGHCX)	711.610	\$ 94,652
VANGUARD INFL-PROTECTED SECS (VIPSX)	3,272.550	\$ 40,573
VANGUARD WELLINGTON FUND INC (VWELX)	6,597.870	\$ 199,674
Yahoo Inc.	4,000.000	\$ 169,280
Grand total		\$ 2,104,146

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- 12) Investment in marketable securities consists of the investments from the following funds maintained by foundation separately.

	Cost	Market Value
<u>Donor Advised fund:</u>	\$875,410	\$646,726
<u>Endowment Fund:</u>	\$269,700	\$205,193
<u>Scholarship Fund:</u>	\$146,398	\$103,656
<u>General Fund:</u>	<u>\$812,639</u>	<u>\$547,927</u>
Total	\$2,104,146	\$1,503,502

- 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.

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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

