

OKIZU FOUNDATION
FINANCIAL STATEMENTS
For the Years Ended
December 31, 2009 and 2008

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Independent Auditors' Report

Board of Directors
Okizu Foundation

We have audited the accompanying statements of financial position of Okizu Foundation (a California nonprofit corporation) as of December 31, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Okizu Foundation'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Okizu Foundation as of December 31, 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.

Bregante + Company LLP

Novato, California

June 1, 2010

OKIZU FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 46,602	\$ 140,360
Pledges and grants receivable	60,000	15,000
Investments	21,082	19,945
Prepaid expenses	21,580	20,882
Property and equipment, net	8,001,603	8,199,160
Loan fees, net of accumulated amortization of \$11,225 and \$6,912	48,651	52,964
Security deposit	<u>3,500</u>	<u>3,500</u>
Total assets	<u>\$ 8,203,018</u>	<u>\$ 8,451,811</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 5,764	\$ 2,889
Accrued payroll	8,769	7,504
Accrued interest	9,742	8,052
Line of credit	-	25,000
Notes payable	<u>3,350,677</u>	<u>3,600,371</u>
Total liabilities	3,374,952	3,643,816
Net assets:		
Unrestricted:		
Designated	4,650,926	4,573,789
Undesignated	<u>156,058</u>	<u>216,207</u>
Total unrestricted net assets	4,806,984	4,789,996
Temporarily restricted	<u>21,082</u>	<u>17,999</u>
Total net assets	<u>4,828,066</u>	<u>4,807,995</u>
Total liabilities and net assets	<u>\$ 8,203,018</u>	<u>\$ 8,451,811</u>

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue and support:						
Contributions	\$ 1,146,031	\$ -	\$ 1,146,031	\$ 1,122,638	\$ -	\$ 1,122,638
Special events revenue, net	272,405	-	272,405	435,214	-	435,214
Contributed goods and services	96,454	-	96,454	68,127	-	68,127
Investment income (loss)	(408)	3,083	2,675	(629)	(7,001)	(7,630)
Total revenue and support	1,514,482	3,083	1,517,565	1,625,350	(7,001)	1,618,349
Expenses:						
Program services	1,240,695	-	1,240,695	1,395,609	-	1,395,609
Management and administrative	95,704	-	95,704	112,643	-	112,643
Fundraising	161,095	-	161,095	165,461	-	165,461
Total expenses	1,497,494	-	1,497,494	1,673,713	-	1,673,713
Changes in net assets	16,988	3,083	20,071	(48,363)	(7,001)	(55,364)
Net assets, beginning of year	4,789,996	17,999	4,807,995	4,838,359	25,000	4,863,359
Net assets, end of year	\$ 4,806,984	\$ 21,082	\$ 4,828,066	\$ 4,789,996	\$ 17,999	\$ 4,807,995

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Changes in net assets	\$ 20,071	\$ (55,364)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	241,897	237,109
Donated stocks included in income	(3,287)	(1,938)
Net realized and unrealized loss (gain) on investments	(2,177)	7,397
(Increase) decrease in assets:		
Pledges and grants receivable	(45,000)	25,000
Prepaid expenses	(698)	(1,657)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	2,875	(13,946)
Accrued payroll	1,265	(2,476)
Accrued interest	1,690	2,726
Total adjustments	196,565	252,215
Net cash provided by operating activities	216,636	196,851
Cash flows from investing activities:		
Purchases to property and equipment	(40,027)	(6,389)
Proceeds from sales of investments	4,557	1,752
Purchases of investments	(230)	(517)
Net cash used by investing activities	(35,700)	(5,154)
Cash flows from financing activities:		
Proceeds from line of credit	112,715	60,000
Payments on line of credit	(137,715)	(195,000)
Loan fees	-	(13,904)
Proceeds from note payable	-	1,874,000
Payments on notes payable	(249,694)	(1,949,568)
Net cash used by financing activities	(274,694)	(224,472)

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net decrease in cash	(93,758)	(32,775)
Cash, beginning of year	<u>140,360</u>	<u>173,135</u>
Cash, end of year	<u>\$ 46,602</u>	<u>\$ 140,360</u>

Supplemental disclosure of cash flow information:

Cash paid for interest was \$169,040 and \$279,883 for the years ended December 31, 2009 and 2008, respectively.

See accompanying notes and auditors' report.

OKIZU FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2009 and 2008

	2009				2008			
	Program Services	Management and Administrative	Fundraising	Total	Program Services	Management and Administrative	Fundraising	Total
Salaries and benefits	\$ 329,023	\$ 35,559	\$ 126,568	\$ 491,150	\$ 324,172	\$ 27,309	\$ 119,195	\$ 470,676
Depreciation and amortization	241,897	-	-	241,897	237,109	-	-	237,109
Interest	170,730	-	-	170,730	282,609	-	-	282,609
Contributed goods and services	78,846	14,908	2,700	96,454	56,637	11,490	-	68,127
Camp food and laundry	91,667	-	-	91,667	123,664	-	-	123,664
Repairs and maintenance	82,896	6,295	-	89,191	116,787	10,811	-	127,598
Camper transportation	66,484	-	-	66,484	80,221	-	-	80,221
Utilities	58,732	1,427	5,226	65,385	40,345	18,366	-	58,711
Insurance	46,962	1,239	4,957	53,158	51,099	2,044	3,274	56,417
Occupancy	29,022	3,125	12,502	44,649	26,010	3,035	14,306	43,351
Office expense	20,680	1,224	-	21,904	19,970	6,719	-	26,689
Supplies	5,868	11,897	-	17,765	13,436	13,703	-	27,139
Professional services	1,965	14,669	-	16,634	3,315	11,234	-	14,549
Miscellaneous	11,209	4,853	-	16,062	14,650	7,280	-	21,930
Postage	4,714	508	2,031	7,253	5,585	652	3,072	9,309
Fundraising	-	-	7,111	7,111	-	-	25,614	25,614
Total expenses	\$ 1,240,695	\$ 95,704	\$ 161,095	\$ 1,497,494	\$ 1,395,609	\$ 112,643	\$ 165,461	\$ 1,673,713

See accompanying notes and auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A -- Description of organization

Okizu Foundation (the Foundation) is a nonprofit corporation. It is the mission of the Foundation to provide recreational, respite and peer support programs to meet the needs of all members of families affected by childhood cancer.

The diagnosis of a chronic or life-threatening illness in a family threatens the very nature of the family structure. Children need positive nurturing and support in order to grow and lead fulfilling, productive lives. The family's normal emotional and social environment is greatly disrupted by a diagnosis of childhood cancer. Many children become dysfunctional because of the emotional and physical stress of treatment and other family members have little support to cope with the stresses they are facing.

The Foundation has established long-term relationships with many of the pediatric oncology units in Northern California including Lucile Salter Packard Children's Hospital at Stanford, Kaiser Hospitals in Oakland and San Francisco, Oakland Children's Hospital, John Muir Medical Center, David Grant Hospital at Travis Air Force Base, UC Davis, UC San Francisco and California Pacific Medical Center, which provide assistance to the Foundation so it can carry out its mission.

The purpose of the Foundation is to operate peer support programs for all family members (including families whose child has passed away). Because of the emotional, financial and physical burdens placed on the families by this disease, there is never a charge for participation in the Foundation's programs.

The Foundation purchased the former Berry Creek Ranch in Butte County, California in 1998. The property has been substantially renovated to house Camp Okizu, a permanent site for summer camps hosting children with cancer and their siblings.

NOTE B -- Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Pledges and grants receivable

The Foundation considers pledges and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made. Management has elected to record bad debts using the direct write-off method.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE B -- Summary of significant accounting policies (continued)

Pledges and grants receivable (continued)

Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Investments

Investments in all debt and equity securities are stated at fair value at December 31, 2009 and 2008, and are considered available for sale. Fair value is determined based on quoted market prices. Realized and unrealized gains or losses on investments are recorded in the Statements of Activities in the period that such gains or losses or fluctuations occur.

The Foundation has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1, investment assets with observable inputs that are derived from quoted prices for identical assets or liabilities in an active market; Level 2, quoted prices in non-active markets or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data; or Level 3, unobservable inputs, which cannot be corroborated by external market data.

Property and equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed primarily on a straight-line basis over the estimated useful lives ranging from five to thirty-nine years. It is the policy of the Foundation to capitalize property and equipment with a cost or fair market value of \$5,000 or more.

Net assets

The financial activities of the Foundation are classified into one of three classes of net assets:

Unrestricted: Those net assets and activities which present the portion of expendable funds available to support operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE B -- Summary of significant accounting policies (continued)

Net assets (continued)

Temporarily restricted: Those net assets and activities which are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently restricted: Those net assets and activities which are permanently donor-restricted for holdings of: (a) assets donated with stipulations that they be preserved and not sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The Foundation has no permanently restricted net assets as December 31, 2009 and 2008.

Endowment funds

The Foundation adapted a definition of endowment to mean all of an organization's endowment funds, including both donor-restricted endowment funds and those established by board designation. The Foundation considers endowment funds to be cash, securities or other assets that are invested to provide income for the organization.

The portion of an endowment that must be maintained permanently - not used, expended, or otherwise exhausted - is classified as permanently restricted net assets. The portion of an endowment that must be maintained for a specified term is classified as temporarily restricted net assets. Funds specified by the Foundation's board to be invested to provide income for a long but unspecified period are classified as unrestricted net assets.

Revenue and support recognition

The Foundation records contributions when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in temporarily restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when restrictions are satisfied. Donor-restricted contributions that are received and their restrictions met in the same fiscal year are reported as unrestricted contributions.

Income taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701d of the California Revenue and Taxation Code.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE B -- Summary of significant accounting policies (continued)

Income taxes (continued)

As required by the *Income Taxes Topic of the FASB Accounting Standards Codification*, the Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Foundation does not believe its financial statements include any uncertain tax positions.

Functional allocation of expenses

The costs of providing the program services and supporting activities of the Foundation are reported on the Statements of Functional Expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and supporting activities based on allocation methods and estimates made by the Foundation's management and approved by the Board of Directors.

Contributed goods and services

Contributions of goods and donated use of facilities are recognized at fair value when received. Contributions of services are recognized at fair value when received if such services create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk consist principally of cash on deposit in accounts at two commercial banks. The balances at times may exceed federally insured limits. The Foundation has not experienced any losses with respect to these accounts. Management believes the Foundation is not exposed to any significant credit risk.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE B -- Summary of significant accounting policies (continued)

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2008 to conform to the year ended December 31, 2009 financial statements presentation. Such reclassifications have no effect on net assets as previously reported.

NOTE C -- Investments

The Foundation has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1.

The fair market value of the investments is as follows at December 31:

	<u>2009</u>	<u>2008</u>
Stocks	\$ -	\$ 1,946
Mutual funds	<u>21,082</u>	<u>17,999</u>
	<u>\$ 21,082</u>	<u>\$ 19,945</u>

NOTE D -- Property and equipment

Property and equipment at December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 8,115,016	\$ 8,115,016
Land	1,083,600	1,083,600
Boat house	760,153	760,153
Furniture and fixtures	147,827	147,827
Transportation equipment	94,079	59,052
Equipment	<u>29,573</u>	<u>24,573</u>
	10,230,248	10,190,221
Less accumulated depreciation	<u>(2,228,645)</u>	<u>(1,991,061)</u>
Property and equipment, net	<u>\$ 8,001,603</u>	<u>\$ 8,199,160</u>

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE D -- Property and equipment (continued)

Depreciation expense for the years ended December 31, 2009 and 2008 was \$237,584 and \$235,345, respectively.

NOTE E -- Line of credit

The Foundation has a \$400,000 variable rate revolving line of credit with a bank. The line bears interest computed at the bank's prime interest rate (3.25% at December 31, 2009 and 2008). Interest is payable monthly and the principal is due at maturity unless renewed. The agreement is subject to renewal on August 15, 2010. The outstanding balance at December 31, 2009 and 2008 was \$0 and \$25,000, respectively.

NOTE F -- Notes payable

Long-term debt consists of the following at December 31:

	2009	2008
<p>Variable rate note payable with Northern Trust Bank of California with final payment due on August 9, 2034. In November 2006, the Foundation negotiated a fixed interest rate of 7.6% for five years. During 2009, the Foundation renegotiated the fixed monthly payment at \$12,686, which includes interest and principal. At the end of the five year period, the Foundation will renegotiate the interest rate and monthly payment with the bank. The note is secured by a deed of trust and guaranteed by two of the founders and the United States Department of Agriculture.</p>	\$ 1,676,677	\$ 1,726,371
<p>Subordinated term note payable with The David and Lucile Packard Foundation with final payment due December 11, 2014, payable in annual installments of principal and interest. The note bears interest at a rate of 2% per annum. The note is secured by a deed of trust and is guaranteed by two of the founders. The note includes certain contingent provisions related to additional principal payments.</p>	1,674,000	1,874,000
<p>Total</p>	\$ 3,350,677	\$ 3,600,371

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE F -- Notes payable (continued)

Future maturities of the long-term debt are as follows:

<u>Years Ending December 31,</u>	
2010	\$ 225,593
2011	396,107
2012	398,280
2013	400,624
2014	403,152
Thereafter	<u>1,526,921</u>
	<u>\$ 3,350,677</u>

NOTE G -- Unrestricted net assets - designated

The following unrestricted net assets have been designated by the Board of Directors for investments in property and equipment:

	<u>2009</u>	<u>2008</u>
Property and equipment, net (Note D)	\$ 8,001,603	\$ 8,199,160
Less related borrowings (Notes E and F)	<u>(3,350,677)</u>	<u>(3,625,371)</u>
Total unrestricted net assets - designated	<u>\$ 4,650,926</u>	<u>\$ 4,573,789</u>

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE H -- Endowment

The Foundation's endowment includes a donor-restricted endowment fund that was created in October 2007 with a stipulation that the original contribution and investment income be held in a separate investment account for five years, at which time it would be used for Boat House repairs and maintenance.

Changes in endowment net assets for the years ended December 31, 2009 and 2008 are as follows:

	<u>Temporarily restricted</u>
Endowment net assets, at January 1, 2008	\$ 25,000
Investment return	517
Net depreciation (unrealized)	<u>(7,518)</u>
Endowment net assets, at December 31, 2008	17,999
Investment return	230
Net appreciation (unrealized)	<u>2,853</u>
Endowment net assets, at December 31, 2009	<u>\$ 21,082</u>

NOTE I -- Special events revenue, net

Revenue from special events for the years ended December 31 consisted of the following:

	<u>2009</u>	<u>2008</u>
Art Inspiring Hope dinner income	\$ 479,519	\$ 604,294
Lobsterfest dinner income	-	76,942
Walk 'N Rock for Kids	47,538	-
Sacramento dinner income	32,687	38,552
Golf tournament	2,470	21,729
Other special events	<u>19,184</u>	<u>36,255</u>
	581,398	777,772
Less costs of direct benefits to donors	<u>(308,993)</u>	<u>(342,558)</u>
Total special events revenue, net	<u>\$ 272,405</u>	<u>\$ 435,214</u>

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE J -- Contributed goods and services

Contributed medical, accounting services and board training valued at \$96,454 and \$68,127 were recorded for the years ended December 31, 2009 and 2008, respectively. The Foundation also recognized \$7,359 and \$4,950 of donated use of facilities for one of the events for the years ended December 31, 2009 and 2008, respectively.

Notable volunteer time adds considerably to the services provided by the Foundation. In addition to the volunteer time that requires recognition in the financial statement, approximately 65,600 hours were contributed by more than 600 volunteers conducting over 20 peer support and other programs at Camp Okizu and in both of the years ended December 31, 2009 and 2008. These were lifeguards, ropes course helpers, archery and fishing instructors, arts and craft directors, dishwashers and kitchen workers, counselors, unit leaders and administrative assistants.

NOTE K -- Lease obligations

The Foundation leases an office space in Novato, California under a noncancelable lease agreement expiring March 31, 2012. The lease provides for a monthly payment of \$3,748 and a 3% rate increase annually. Rent expense included in occupancy cost was \$44,649 and \$43,351 for the years ended December 31, 2009 and 2008, respectively.

Future minimum rental payments are as follows:

<u>Years Ending December 31,</u>	
2010	\$ 45,984
2011	47,364
2012	<u>11,928</u>
	<u>\$ 105,276</u>

NOTE L -- Retirement plan

The Foundation maintains a defined contribution 403(b) retirement plan for all employees. Employees are eligible to make elective contributions following the date of hire up to the maximum allowed by the Internal Revenue Code. The Foundation does not contribute to the plan.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009 and 2008

NOTE M -- Related party transactions

Main Gate Marketing, Inc. is a print media marketing company 20% owned by the spouse of the executive director of the Foundation. During the years ended December 31, 2009 and 2008, the Foundation paid \$16,567 and \$54,241, respectively, for printing, mailing and marketing services to Main Gate Marketing, Inc. There were no amounts payable to, or receivable from, Main Gate Marketing, Inc. in excess of \$1,000 as of December 31, 2009 and 2008.

NOTE N -- Subsequent events

The date to which events occurring after December 31, 2009 have been evaluated for possible adjustments to the financial statements or disclosure is June 1, 2010, which is the date on which the financial statements were available to be issued.

See auditors' report.