

OKIZU FOUNDATION
FINANCIAL STATEMENTS
For the Years Ended
December 31, 2010 and 2009

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Independent Auditors' Report

Board of Directors
Okizu Foundation

We have audited the accompanying statements of financial position of Okizu Foundation as of December 31, 2010 and 2009, 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, 2010 and 2009, 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 3, 2011

OKIZU FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 102,536	\$ 46,602
Pledges and grants receivable, net	761,270	60,000
Investments	29,811	21,082
Prepaid expenses	16,640	21,580
Property and equipment, net	7,777,264	8,001,603
Loan fees, net of accumulated amortization of \$15,538 and \$11,225	44,338	48,651
Security deposit	<u>3,500</u>	<u>3,500</u>
Total assets	<u>\$ 8,735,359</u>	<u>\$ 8,203,018</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 7,990	\$ 5,764
Accrued payroll	3,021	8,769
Accrued interest	7,332	9,742
Notes payable	<u>3,128,084</u>	<u>3,350,677</u>
Total liabilities	3,146,427	3,374,952
Net assets:		
Unrestricted:		
Designated	4,649,180	4,650,926
Undesignated	<u>452,424</u>	<u>156,058</u>
Total unrestricted net assets	5,101,604	4,806,984
Temporarily restricted	<u>487,328</u>	<u>21,082</u>
Total net assets	<u>5,588,932</u>	<u>4,828,066</u>
Total liabilities and net assets	<u>\$ 8,735,359</u>	<u>\$ 8,203,018</u>

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions	\$ 1,223,468	\$ 463,717	\$ 1,687,185	\$ 1,146,031	\$ -	\$ 1,146,031
Special events revenue	751,686	-	751,686	581,398	-	581,398
Direct benefits to donors	(251,424)	-	(251,424)	(308,993)	-	(308,993)
Special events, net	<u>500,262</u>	<u>-</u>	<u>500,262</u>	<u>272,405</u>	<u>-</u>	<u>272,405</u>
Contributed goods and services	108,312	-	108,312	96,454	-	96,454
Investment income (loss)	<u>381</u>	<u>2,529</u>	<u>2,910</u>	<u>(408)</u>	<u>3,083</u>	<u>2,675</u>
Total revenue and support	<u>1,832,423</u>	<u>466,246</u>	<u>2,298,669</u>	<u>1,514,482</u>	<u>3,083</u>	<u>1,517,565</u>
Expenses:						
Program services	1,248,451	-	1,248,451	1,240,695	-	1,240,695
Management and administrative	106,056	-	106,056	95,704	-	95,704
Fundraising	<u>183,296</u>	<u>-</u>	<u>183,296</u>	<u>161,095</u>	<u>-</u>	<u>161,095</u>
Total expenses	<u>1,537,803</u>	<u>-</u>	<u>1,537,803</u>	<u>1,497,494</u>	<u>-</u>	<u>1,497,494</u>
Changes in net assets	294,620	466,246	760,866	16,988	3,083	20,071
Net assets, beginning of year	<u>4,806,984</u>	<u>21,082</u>	<u>4,828,066</u>	<u>4,789,996</u>	<u>17,999</u>	<u>4,807,995</u>
Net assets, end of year	<u>\$ 5,101,604</u>	<u>\$ 487,328</u>	<u>\$ 5,588,932</u>	<u>\$ 4,806,984</u>	<u>\$ 21,082</u>	<u>\$ 4,828,066</u>

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$ 760,866	\$ 20,071
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	241,883	237,584
Amortization of loan fees	4,313	4,313
Donated stocks included in income	(2,176)	(3,287)
Net realized and unrealized gain on investments	(2,278)	(2,177)
(Increase) decrease in assets:		
Pledges and grants receivable	(701,270)	(45,000)
Prepaid expenses	4,940	(698)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	2,226	2,875
Accrued payroll	(5,748)	1,265
Accrued interest	(2,410)	1,690
	<u>(460,520)</u>	<u>196,565</u>
Total adjustments		
Net cash provided by operating activities	<u>300,346</u>	<u>216,636</u>
Cash flows from investing activities:		
Purchases of property and equipment	(17,544)	(40,027)
Purchases of investments	(6,451)	(230)
Proceeds from sales of investments	<u>2,176</u>	<u>4,557</u>
Net cash used by investing activities	<u>(21,819)</u>	<u>(35,700)</u>
Cash flows from financing activities:		
Proceeds from line of credit	231,713	112,715
Payments on line of credit	(231,713)	(137,715)
Payments on notes payable	<u>(222,593)</u>	<u>(249,694)</u>
Net cash used by financing activities	<u>(222,593)</u>	<u>(274,694)</u>

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net increase (decrease) in cash	55,934	(93,758)
Cash, beginning of year	<u>46,602</u>	<u>140,360</u>
Cash, end of year	<u>\$ 102,536</u>	<u>\$ 46,602</u>

Supplemental disclosure of cash flow information:

The Foundation disposed of fully depreciated equipment costing \$15,815 during the year ended December 31, 2010.

Cash paid for interest was \$160,026 and \$169,040 for the years ended December 31, 2010 and 2009, respectively.

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2010 and 2009

	2010				2009			
	Program Services	Management and Administrative	Fundraising	Total	Program Services	Management and Administrative	Fundraising	Total
Salaries and benefits	\$ 348,812	\$ 42,228	\$ 144,531	\$ 535,571	\$ 329,023	\$ 35,559	\$ 126,568	\$ 491,150
Depreciation and amortization	246,196	-	-	246,196	241,897	-	-	241,897
Interest	157,616	-	-	157,616	170,730	-	-	170,730
Contributed goods and services	70,646	30,166	7,500	108,312	78,846	14,908	2,700	96,454
Repairs and maintenance	90,128	1,328	2,493	93,949	82,896	6,295	-	89,191
Utilities	68,128	1,036	4,144	73,308	58,732	1,427	5,226	65,385
Camp food and laundry	72,962	-	-	72,962	91,667	-	-	91,667
Camper transportation	66,136	-	-	66,136	66,484	-	-	66,484
Occupancy	31,284	3,369	13,476	48,129	29,022	3,125	12,502	44,649
Insurance	40,381	815	3,238	44,434	46,962	1,239	4,957	53,158
Office expense	22,557	4,284	-	26,841	20,680	1,224	-	21,904
Professional services	2,278	18,307	-	20,585	1,965	14,669	-	16,634
Miscellaneous	15,841	3,547	-	19,388	11,209	4,853	-	16,062
Supplies	12,228	625	2,499	15,352	5,868	11,897	-	17,765
Postage	3,258	351	1,403	5,012	4,714	508	2,031	7,253
Fundraising	-	-	4,012	4,012	-	-	7,111	7,111
Total expenses	\$ 1,248,451	\$ 106,056	\$ 183,296	\$ 1,537,803	\$ 1,240,695	\$ 95,704	\$ 161,095	\$ 1,497,494

See accompanying notes and auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

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.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

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

Concentrations of credit risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk consist principally of cash and pledges and grants receivable. Cash deposits are maintained at two financial institutions. The balances at times may exceed federally insured limits. Pledges and grants receivable are stated at estimated fair value and are not secured by any collateral. The Foundation has not experienced any losses with respect to these instruments. Management believes the Foundation is not exposed to any significant credit risk.

Pledges and grants receivable

Unconditional pledges and grants receivable expected to be collected within one year are reported at their net realizable value. Unconditional pledges and grants receivable expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows. The resulting discount is amortized ratably and is reported as contributions revenue.

Investments

Investments in all debt and equity securities are stated at fair value at December 31, 2010 and 2009, 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 investments are sold 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.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

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

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.

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 at December 31, 2010 and 2009.

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.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

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

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.

As required by the *Income Taxes Topic of the Financial Accounting Standards Board 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.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

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

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2009 to conform to the year ended December 31, 2010 financial statements presentation. Such reclassifications have no effect on net assets as previously reported.

NOTE C -- Pledges and grants receivable, net

Pledges and grants receivable consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Due within one year	\$ 325,000	\$ 60,000
Due in one to five years	<u>460,000</u>	<u>-</u>
	785,000	60,000
Less unamortized discount	<u>(23,730)</u>	<u>-</u>
Pledges and grants receivable, net	<u>\$ 761,270</u>	<u>\$ 60,000</u>

The discount rate was 3.25% for the year ended December 31, 2010. The Foundation's management believes that all pledges and grants receivable are collectible and, accordingly, no allowance for uncollectible pledges and grants has been provided.

NOTE D -- 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>2010</u>	<u>2009</u>
Mutual funds	<u>\$ 29,811</u>	<u>\$ 21,082</u>

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

NOTE E -- Property and equipment

Property and equipment at December 31 consist of the following:

	<u>2010</u>	<u>2009</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	150,038	147,827
Transportation equipment	86,493	94,079
Equipment	<u>36,677</u>	<u>29,573</u>
	10,231,977	10,230,248
Less accumulated depreciation	<u>(2,454,713)</u>	<u>(2,228,645)</u>
Property and equipment, net	<u>\$ 7,777,264</u>	<u>\$ 8,001,603</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$241,883 and \$237,584, respectively.

NOTE F -- 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, 2010 and 2009). Interest is payable monthly and the principal is due at maturity unless renewed. The agreement is subject to renewal on August 9, 2011. There were no outstanding balances on the line of credit at December 31, 2010 and 2009.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

NOTE G -- Notes payable

Notes payable consist of the following at December 31:

	2010	2009
<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>	\$ 1,654,084	\$ 1,676,677
<p>Subordinated term note payable with The David and Lucile Packard Foundation with final payment due December 11, 2014, payable in annual principal installments of \$368,500 and accrued 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 accelerated principal payments.</p>	1,474,000	1,674,000
	\$ 3,128,084	\$ 3,350,677

Future maturities of the notes payable are as follows:

Years Ending December 31,

2011	\$ 395,592
2012	398,096
2013	400,425
2014	402,938
2015	34,652
Thereafter	1,496,381
	\$ 3,128,084

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

NOTE H -- Unrestricted net assets - designated

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

	<u>2010</u>	<u>2009</u>
Property and equipment, net (Note E)	\$ 7,777,264	\$ 8,001,603
Less related borrowings (Note G)	<u>(3,128,084)</u>	<u>(3,350,677)</u>
 Total unrestricted net assets - designated	 <u>\$ 4,649,180</u>	 <u>\$ 4,650,926</u>

NOTE I -- 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, 2010 and 2009 are as follows:

	<u>Temporarily Restricted</u>
Endowment net assets, at January 1, 2009	\$ 17,999
Investment return	230
Net appreciation (unrealized)	<u>2,853</u>
Endowment net assets, at December 31, 2009	21,082
Contributions	8,200
Investment return	251
Net appreciation (unrealized)	<u>2,278</u>
Endowment net assets, at December 31, 2010	<u>\$ 31,811</u>

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

NOTE J -- Special events revenue, net

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

	2010	2009
Art Inspiring Hope dinner income	\$ 491,630	\$ 479,519
Walk 'N Rock for Kids	93,406	47,538
Lobsterfest dinner income	89,309	-
Sacramento dinner income	52,916	32,687
Golf tournament	-	2,470
Other special events	24,425	19,184
	751,686	581,398
Less costs of direct benefits to donors	(251,424)	(308,993)
Special events revenue, net	\$ 500,262	\$ 272,405

NOTE K -- Contributed goods and services

Contributed medical, accounting services and board training valued at \$108,312 and \$96,454 were recorded for the years ended December 31, 2010 and 2009, respectively. The Foundation also recognized \$1,650 and \$7,359 for donated use of facilities for one of the events for the years ended December 31, 2010 and 2009, 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 65,000 hours were contributed by more than 600 volunteers conducting over 20 peer support and other programs at Camp Okizu during each of the years ended December 31, 2010 and 2009. 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 L -- 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 \$3,860 and a 3% rate increase annually. The Foundation rented a storage space on a month-to-month basis during 2010. Rent expense included in occupancy cost was \$48,129 and \$44,649 for the years ended December 31, 2010 and 2009, respectively.

See auditors' report.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010 and 2009

NOTE L -- Lease obligations (continued)

Future minimum rental payments are as follows:

<u>Years Ending December 31,</u>	
2011	\$ 47,364
2012	<u>11,928</u>
	<u>\$ 59,292</u>

NOTE M -- 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.

NOTE N -- 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, 2010 and 2009, the Foundation paid \$16,529 and \$16,567, 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, 2010 and 2009.

NOTE O -- Subsequent events

The date to which events occurring after December 31, 2010 have been evaluated for possible adjustments to the financial statements or disclosure is June 3, 2011, which is the date on which the financial statements were available to be issued.

See auditors' report.