

**FRIENDS OF THE MANDELA RHODES
FOUNDATION (USA), INC.**

NEW YORK, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of the Mandela Rhodes Foundation (USA), Inc.
New York, New York

We have audited the accompanying statements of financial position of the Friends of the Mandela Rhodes Foundation (USA), Inc. (the "Organization"), as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic 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 the Friends of the Mandela Rhodes Foundation (USA), Inc., as of December 31, 2008 and 2007, 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
March 31, 2009

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 230,716	\$ 541,164
Investments	3,268,967	3,971,582
Pledge Receivable, Net	8,490	-
	<u>3,508,173</u>	<u>4,512,746</u>
Total Current Assets		
	<u>3,508,173</u>	<u>4,512,746</u>
Total Assets	<u>3,508,173</u>	<u>4,512,746</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,449	-
	<u>3,449</u>	<u>-</u>
Total Current Liabilities		
	<u>3,449</u>	<u>-</u>
Total Liabilities	<u>3,449</u>	<u>-</u>
NET ASSETS		
Net Assets:		
Unrestricted	3,504,724	4,512,746
	<u>3,504,724</u>	<u>4,512,746</u>
Total Net Assets	<u>3,504,724</u>	<u>4,512,746</u>
Total Liabilities and Net Assets	<u>\$ 3,508,173</u>	<u>\$ 4,512,746</u>

The notes to the financial statements are an integral part of these financial statements.
See the accompanying independent auditors' report.

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
SUPPORT AND REVENUE		
Cash Contributions	\$ 141,656	\$ 767,605
Noncash Contributions	31,161	32,219
Interest Income	167,825	232,546
Realized Investment Losses	(218,213)	(123,156)
Unrealized Investment Losses	(531,857)	(78,068)
Total Support and Revenue	<u>(409,428)</u>	<u>831,146</u>
EXPENSES		
Program Services:		
Grants	510,000	1,545,000
Supporting Services:		
General and Administration	19,642	14,544
Investment Management Fees	37,791	7,222
Professional Contributed Services	23,114	32,219
Other Contributed Services	8,047	-
Total Expenses	<u>598,594</u>	<u>1,598,985</u>
Excess of Support and Revenues Over/(Under) Expenses	(1,008,022)	(767,839)
Net Assets, Beginning of Year	<u>4,512,746</u>	<u>5,280,585</u>
Net Assets, End of Year	<u>\$ 3,504,724</u>	<u>\$ 4,512,746</u>

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See accompanying independent auditors' report.

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,008,022)	\$ (767,839)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss in investments	531,857	-
Change in pledge receivable, net	(8,490)	3,020
Change in accounts payable	3,449	-
	<u>(481,206)</u>	<u>(764,819)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(662,484)	(13,502,904)
Investments sold	833,242	9,531,322
	<u>170,758</u>	<u>(3,971,582)</u>
Net increase/(decrease) in cash and cash equivalents	(310,448)	(4,736,401)
Cash and cash equivalents, beginning of year	<u>541,164</u>	<u>5,277,565</u>
Cash and cash equivalents, end of year	<u>\$ 230,716</u>	<u>\$ 541,164</u>

The notes to the financial statements are an integral part of these financial statements.
See accompanying independent auditors' report.

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A—NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friends of the Mandela Rhodes Foundation (USA), Inc. (the "Organization") is incorporated under the laws of the state of Delaware as a not-for-profit organization. The Organization is committed to engaging the extended Rhodes Scholarship community residents in the United States in the transformation of southern Africa by supporting the education and developing leadership potential of the future leaders of Africa.

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be or will be met either by actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets release from restrictions. There are no temporarily restricted net assets at December 31, 2008.

Permanently restricted net assets – Net assets that consist of donor-imposed stipulations that are permanent in nature and not subject to expiration by actions of the Organization or the passage of time. There are no permanently restricted net assets at December 31, 2008.

Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less when purchased to be cash equivalents.

Pledge Receivable

SFAS No. 116, "Accounting for Contributions Received and Contributions Made," requires that contributions be recognized when the donor makes an unconditional promise to give. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and / or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Support and Revenue

The Organization's primary source of revenue is contributions through fundraising. The fundraising is primarily directed to the extended community of Rhodes Scholars living in the United States via letter, emails, and occasional fundraising events.

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**NOTE A—NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. No restricted contributions were received during the year ended December 31, 2008.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization has been determined to be an organization described in section 501(c)(3) of the Internal Revenue Code and therefore is exempt from federal income taxes under section 501(a) of the Internal Revenue Code. As a result, the Organization has made no provisions for federal income taxes in the accompanying financial statements. In addition, the Organization has not been determined by the Internal Revenue Service to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2008 and 2007.

NOTE B—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of \$230,716 and \$541,164 in several accounts at December 31, 2008 and 2007, respectively. The checking and savings account bank balances at December 31, 2008 were \$24,033 and \$5,098, respectively, which is fully insured up to \$250,000 of FDIC insurance. The checking and savings account bank balances at December 31, 2007 were \$4,866 and \$8,679, which were fully insured up to \$100,000 of FDIC insurance.

NOTE C—INVESTMENTS

The investment account bank balance at December 31, 2008 was \$3,268,967 all of which was uninsured. The investment account bank balance at December 31, 2007 was \$3,971,582, all of which was uninsured.

The Organization determines the appropriate classification of investments at the time of purchase and reevaluates such designation at each balance sheet date. Investments have been classified as available-for-sale and are carried at fair value with gains and losses reported as a separate component in the statements of activities. Investment maturities range from less than one year to greater than three years (primarily the government and agency investments).

**FRIENDS OF THE MANDELA RHODES FOUNDATION (USA), INC.
NEW YORK, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE C—INVESTMENTS (CONTINUED)

The following is a summary of the investments at December 31, 2008.

<u>Investment Type</u>	<u>Cost</u>	<u>Gain/Loss</u>	<u>Fair Value</u>
Gov't and Agency Notes	\$ 483,370	45,267	\$ 528,637
Mutual Funds - Fixed	1,802,019	(167,331)	1,634,688
Equities	1,573,723	(486,223)	1,087,500
Other	22,436	(4,295)	18,141
Total	<u>\$ 3,881,548</u>	<u>(612,581)</u>	<u>\$ 3,268,967</u>

The following is a summary of the investments at December 31, 2007.

<u>Investment Type</u>	<u>Cost</u>	<u>Gain/Loss</u>	<u>Fair Value</u>
Gov't and Agency Notes	\$ 733,308	(4,067)	\$ 729,241
Mutual Funds - Fixed	1,684,785	(12,173)	1,672,612
Equities	1,617,867	(61,817)	1,556,050
Other	13,704	(23)	13,680
Total	<u>\$ 4,049,663</u>	<u>(78,081)</u>	<u>\$ 3,971,582</u>

NOTE D—PLEDGE RECEIVABLE

Pledges outstanding were \$8,490 at December 31, 2008 and \$0 at December 31, 2007; the allowance for uncollectible amounts has been estimated to be \$0.

NOTE E—CONTRIBUTED SERVICES

The Organization recognized contribution revenue in 2008 and 2007 for contributed legal and other services of \$31,161 and \$32,219, respectively. Contribution revenue from contributed services was measured based on the fair value of the legal and other services provided.

NOTE F—RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets, and errors and omissions. The Organization was insured through third-party commercial carriers to reduce the risk of these losses at December 31, 2008 and December 31, 2007.

NOTE G—ECONOMIC DEPENDENCY

The Organization did not receive contributions from any one donor that provided a significant portion of the total contributions received for the year ended December 31, 2008. The Organization received one contribution from one donor that provided 93% of the total contributions received for the year ended December 31, 2007.