

**GRANT COMPANY, CPA**

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November 29, 2006

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Batey Relief Alliance, Inc.:

We have audited the accompanying statement of financial position of Batey Relief Alliance, Inc. (a nonprofit organization) as of December 31, 2005, and the related statements of activities and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. 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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Batey Relief Alliance, Inc. as of December 31, 2005, and the results of its activities and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Company, CPA  
*Gerald Grant, CPA*  
Queens, New York

# BATEY RELIEF ALLIANCE, INC.

## Table of Contents

### FINANCIAL STATEMENTS

	<u>Exhibits</u>
STATEMENTS OF FINANCIAL POSITIONS	I
STATEMENTS OF ACTIVITIES	II
STATEMENTS OF CASH FLOW	III
NOTES TO FINANCIAL STATEMENTS	IV

BATEY RELIEF ALLIANCE (NY)  
STATEMENTS OF FINANCIAL POSITIONS  
As of December 31, 2005

EXHIBIT I

	<u>2005</u>
<b>ASSETS</b>	
Cash and cash equivalents - Unrestricted	11,420.64
Mobile Clinic	60,984.00
Office Furniture/Fixture	13,950.00
Office Equipments/Computers	14,200.00
Contributions Receivable/Pledges	-
	<hr/>
<b>TOTAL ASSETS</b>	<b><u>100,554.64</u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
Deferred Revenue	5,833.00
Accrued Tax Payable	1,762.00
	<hr/>
<b>TOTAL LIABILITIES</b>	<b><u>7,595.00</u></b>
 <b>NET ASSETS</b>	
Unrestricted	11,420.64
Restricted	<u>81,539.00</u>
	<hr/>
<b>TOTAL NET ASSETS</b>	<b><u>92,959.64</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>100,554.64</u></b>

See accountant's audit report and accompanying notes to financial statements.

BATEY RELIEF ALLIANCE (NY)  
 STATEMENT OF ACTIVITIES  
 For the Period Ending December 31, 2005

EXHIBIT II

	<u>2005</u>
<b>REVENUE/INCOME</b>	
Contributions - Unrestricted	126,521.73
Contributions - Temporary Restricted	50,000.00
Contributions- Non-Cash (In Kind)	7,155,598.00
Service Fees - Non-Cash	750,000.00
Grant - Revenue	<u>10,000.00</u>
<b>TOTAL CONTRIBUTIONS</b>	<b>8,092,119.73</b>
<b>EXPENDITURES</b>	
<u>Administrative Expense</u>	
Salaries / Compensation Exp	23,031.27
Payroll Tax Exp	1,762.00
Gift & Charitable Exp	2,689.28
Professional Service Exp	1,139.60
Office Expense	1,158.49
Travel & Accomodation Exp	3,258.97
Dues & Subscription Exp	1,925.00
Telephone Expense	3,246.53
Fundraising Expense	<u>1,934.74</u>
<b>Total Administration Expenses</b>	<b>40,145.88</b>
<u>Program Exp</u>	
Medical Supplies to the Poor	7,155,598.00
Program Exp- Disburement to SD	76,785.58
Assistant to the Poor (HIV - SD)	235,000.00
Assistant to the Poor (General Phycians- SD)	285,000.00
Assistant to the Poor Optemorist	230,000.00
General Program Exp - NY	<u>1,540.62</u>
<b>Total Program Exp</b>	<b>7,983,924.20</b>
<b>Other Expenses:</b>	
Depreciation - Mobile Clinic	4,356.00
Depreciation - Other Equipment	<u>550.00</u>
<b>Total Other Expenses</b>	<b>4,906.00</b>
<b>TOTAL EXPENDITURES</b>	<b>8,028,976.08</b>
<b>EXPENDITURES OVER REVENUE</b>	<b>63,143.65</b>
<b>INCREASE IN NET ASSETS</b>	<b>63,143.65</b>
<b>NET ASSETS AT BEGINNING</b>	<b>35,649.00</b>
<b>NET ASSETS AT END</b>	<b>98,792.00</b>

See accountant's audit report and accompanying notes to financial statements.

**BATEY RELIEF ALLIANCE (NY)  
STATEMENT OF CASH FLOWS  
For the Period Ending December 31, 2005**

EXHIBIT III

	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in Net Assets	63,143.70
Adjustments to reconcile decrease in net assets to net cash, provided by operating activities	
Depreciation	4,906.00
Increased in Accrued Liabilities	1,762.00
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>69,811.70</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Investments	-
Purchase of Fixed assets (Mobile Clinic)	(65,340.00)
Purchase of Other Fixtures (Mobile Clinic)	(3,993.70)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b><u>(69,333.70)</u></b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES:</b>	
Repayment of Long Term Debt	0.00
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b><u>0.00</u></b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>478.00</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNIG OF YEAR</b>	<b>10,943.00</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>11,421.00</b>

BRA received non cash service from physicians who donated services in the amount of \$750,000  
Also, non cash medical supplies from in kind donations in the amount of \$7,155,598.00.

See accountant's audit report and accompanying notes to financial statements.

**BATEY RELIEF ALLIANCE (BRA)**  
**Notes to Financial Statements**

**Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities**

The Batey Relief Alliance (BRA) was organized in 1997 in the state of New York as a 501 (c) 3 tax exempt, non-profit humanitarian aid organization to address the socio-economic conditions of children and families severely affected by poverty, disease and hunger in the Caribbean.

The purpose for which the corporation was formed as set forth in its certificate of incorporation is as follows:

- 1) Helping the poor living and working in the Dominican Republic Bateys, to become financial self-sustained through financial development and assistant, so that they can afford to eat and be clothed.
- 2) To create a financial sponsorship program in the United States and abroad designed to help the poor living in the Bateys, opportunity to eat, go to school, and be healthy.

Towards that end Batey Relief Alliance created its regional arm inside the Dominican Republic, BRA Dominican, a nongovernmental organization (NGO) designed to help the Batey Relief Alliance carry out its humanitarian mission inside the Bateys of the Dominican Republic.

In 2003 Batey Relief Alliance created its regional arm inside of Dominican Republic called BRA Dominicana.

**Basis of Accounting**

The financial statements of BRA have been prepared on the accrual basis of accounting accordingly reflect all significant receivables payables and other liabilities.

**Basis of Presentations**

Financial Statements presentation follows the recommendations of the financial accounting standards board in the statement of financial accounting standards (SFAS) No 117 "Financial Statement of Not-for-Profit Organization. Under SFAS No 117. The organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporary, restricted net assets and permanently restricted net assets.

**Use of estimates**

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

### Pledges / Promises To Give

Batey Relief Alliance solicits contributions (pledges) via the internet and other sources. Since these pledges do not meet the criteria for revenue recognition under SFAS No 116, they are not reflected as contributions in the statement of activities until the pledges or contributions are collected. Consequently, there are no pledges or contributions receivables as on December 31, 2005.

### Capital Assets

Property & Equipment are stated at cost less depreciation is provided using the straight-line method over the estimated useful life of the assets.

Batey Relief Alliance received contributions were used to acquire a mobile clinic the total cost of \$65,340.00. This amount was capitalized and was depreciated under straight-line based fifteen years. The mobile clinic is used to provide medical services for the poor in the Dominican Republic. The organization has no investments in stock, bonds, or mutual funds; all of liquid cash are held in a New York bank.

Property and equipment at December 31, 2005 consisted of the following:

	<u>Cost</u>
Mobile Clinic	\$ 65,340.00
Office Furniture	15,500.00
Office Computer / Equipment	<u>14,200.00</u>
<b>Total</b>	<b>95,040.00</b>
Less: Accumulated Depreciation	<u>(5,096.00)</u>
Net Property & Equipment	\$ 89,944.00

### Liabilities

Accrued tax liabilities of \$1762.00 reflect social security and Medicaid tax on office salary \$2303, times applicable tax rates of 7.65%; updated as on December 31, 2005.

### Deferred Revenue/Refund Advance

The corporation received a grant from NYS Dept of Health, Aids Institute, in the amount of \$10,000 to be used to provide medical services to the poor affected with HIV AIDS.

The terms of grant determines that it is an exchange of transactions. The period of Grant runs from July 1, 2005 through June 30, 2006. The AICPA Technical Practice Aids (TIS) define deferred revenue and support received or recorded before it is earned, that is before conditions are met (whether time or purpose). Therefore, seven months relates to 2006 (\$5,833) and should be accounted as refundable advance or deferred revenue.

### Income Tax

The corporation principal activities are exempt from federal and state income taxes under section 501 (c) (3) of the US Internal Revenue Code Section.

### Property and Equipment

It is Batey Relief Alliance's (BRA) policy to capitalize property and equipment over \$1000.00, at the cost basis. Properties that do not exceed \$1000.00 are expensed. 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 asset donated with explicit restriction regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted contribution. Absent donor stipulation regarding how long those donated assets must be maintained. Batey Relief Alliance reports expiration of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. Batey Relief Alliance reclassifies temporary restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight line method.

### Revenue Recognition

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporary or permanently restricted net assets, depending on the nature of the restriction. When a restrictions expires (that is, when a stipulated time restriction ends or purpose restrictions is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of net activities as net assets from restriction.

### Cash and Cash Equivalents

For financial statements purposes, the organization consider all highly liquid investments with a maturity of three months or less when purchase to be cash equivalents.

### Contributed Services

BRA receives a substantial amount of services donated by physicians. FASB No 116 states that donated services should be recorded at fair value if the services (1) create or enhance non-financial assets (2) require specialized skills and are performed by a person in a specialized capacity and the organization would have had to purchase them if not received by donation. Batey Relief Alliance recorded physician services contributed by licenses physicians in the amount of \$750,000.00 that were reflected in the statement of activities as services rendered/ assisted to the poor.

### In Kind Contribution

In Kind contributions consist of medical supplies and pharmaceutical products received by various companies within the USA, the estimated fair values of those donations approximate \$7, 155,598.

Donated personal services of other volunteers are not reflected in the accompanying financial statements, because such services do not required specialized skills.