

**AMERICAN TELUGU ASSOCIATION
REPORT ON THE EXAMINATION
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

AMERICAN TELUGU ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
American Telugu Association

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of American Telugu Association (a not-for-profit organization) as of December 31, 2009 and 2008 and the related statements of support, revenue, and expenses - modified cash basis, the statements of functional expenses - modified cash basis, and the statements of cash flows for the years then ended. These financial statements are the responsibility of American Telugu Association'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 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 audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We were not able to obtain adequate documentation to substantiate activity during the year ended December 31, 2008 in a bank account held in India in the name of American Telugu Association, as described in Note 2.

In our opinion, except for the effects of any adjustments that might have resulted had we been able to obtain adequate documentation regarding the bank account in India during the year ended December 31, 2008, or to otherwise satisfy ourselves as to activity during that time period, as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of American Telugu Association as of December 31, 2009 and 2008 and its support, revenue, expenses, and cash flows for the years then ended, on the basis of accounting described in Note 1.

Kuntle & Associates, P.C.

**AMERICAN TELUGU ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2009 AND 2008**

ASSETS

	2009	2008
CURRENT ASSETS		
Cash	\$ 399,654	\$ 1,357,394
Investments	77	148,566
	399,731	1,505,960
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Furniture and Equipment	4,287	4,287
Leasehold Improvements	2,637	2,637
	6,924	6,924
Less -- Accumulated Depreciation and Amortization	5,936	5,647
	988	1,277
TOTAL FIXED ASSETS		
TOTAL ASSETS	\$ 400,719	\$ 1,507,237

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Funds Held for Others	\$ 0	\$ 1,050,000
	0	1,050,000
TOTAL CURRENT LIABILITIES		
TOTAL LIABILITIES	0	1,050,000
NET ASSETS		
Unrestricted		
Undesignated	86,416	158,687
Designated	266,068	249,594
Total Unrestricted	352,484	408,281
Temporarily Restricted	48,235	48,956
	400,719	457,237
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 400,719	\$ 1,507,237

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT, REVENUES AND				
GAINS				
America Bharathi	\$ 3,500	\$ 0	\$ 0	\$ 3,500
Dividends and Interest	3,431	0	0	3,431
Donations	19,476	0	0	19,476
Dues and Fees	7,900	0	0	7,900
India Projects	0	608,620	0	608,620
Unrealized Gain on Investments	177,137	0	0	177,137
Net Assets Released From				
Restrictions	609,341	(609,341)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	820,785	(721)	0	820,064
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
India Projects	598,197	0	0	598,197
Conferences	1,950	0	0	1,950
Grants	10,000	0	0	10,000
American Bharathi	9,384	0	0	9,384
Total Program Services	619,531	0	0	619,531
Management and General	59,208	0	0	59,208
Fundraising	35,220	0	0	35,220
Total Functional Expenses	713,959	0	0	713,959
Realized Loss on Investments	162,623	0	0	162,623
TOTAL EXPENSES AND LOSSES	876,582	0	0	876,582
CHANGE IN NET ASSETS	(55,797)	(721)	0	(56,518)
NET ASSETS,				
BEGINNING OF YEAR	408,281	48,956	0	457,237
END OF YEAR	\$ 352,484	\$ 48,235	\$ 0	\$ 400,719

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
America Bharathi	\$ 8,475	\$ 0	\$ 0	\$ 8,475
Dividends and Interest	20,834	0	0	20,834
Donations	12,363	0	0	12,363
Dues and Fees	105,397	0	0	105,397
India Projects	0	1,792,852	0	1,792,852
Miscellaneous	1,104	0	0	1,104
2006 Los Angeles Conference	4,000	0	0	4,000
2008 New York Conference				
Donations	106,587	0	0	106,587
Miscellaneous	46,652	0	0	46,652
Registration	1,642,403	0	0	1,642,403
Sponsorship	287,074	0	0	287,074
Stalls	405,337	0	0	405,337
Net Assets Released From Restrictions	2,775,286	(2,775,286)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	5,415,512	(982,434)	0	4,433,078
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
India Projects	2,721,777	0	0	2,721,777
Conferences	2,356,888	0	0	2,356,888
American Bharathi	19,521	0	0	19,521
Total Program Services	5,098,186	0	0	5,098,186
Management and General	67,710	0	0	67,710
Fundraising	107,003	0	0	107,003
Total Functional Expenses	5,272,899	0	0	5,272,899
Unrealized Loss on Investments	145,783	0	0	145,783
TOTAL EXPENSES AND LOSSES	5,418,682	0	0	5,418,682
CHANGE IN NET ASSETS	(3,170)	(982,434)	0	(985,604)
NET ASSETS,				
BEGINNING OF YEAR	411,451	1,031,390	0	1,442,841
END OF YEAR	\$ 408,281	\$ 48,956	\$ 0	\$ 457,237

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Accounting	\$ 0	\$ 3,250	\$ 0	\$ 3,250
Bank Charges	0	1,741	0	1,741
Depreciation and Amortization	0	289	0	289
Grants	10,000	0	0	10,000
India Projects Donations	598,197	0	0	598,197
Legal	0	29,026	0	29,026
Meeting Expenses	0	0	25,220	25,220
Office Expenses	0	16,305	0	16,305
Printing and Postage	9,384	2,097	0	11,481
Rent	0	6,500	0	6,500
2008 New York Conference	1,950	0	10,000	11,950
TOTAL FUNCTIONAL EXPENSES	\$ 619,531	\$ 59,208	\$ 35,220	\$ 713,959

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Accounting	\$ 0	\$ 4,250	\$ 0	\$ 4,250
Bank Charges	0	6,378	0	6,378
Depreciation and Amortization	0	580	0	580
India Projects Donations	2,721,777	0	0	2,721,777
Meeting Expenses	891	0	8,074	8,965
Office Expenses	0	11,403	0	11,403
Printing and Postage	19,521	7,476	0	26,997
Rent	0	6,000	0	6,000
2008 New York Conference				
Awards and Decorations	69,201	0	0	69,201
Bank Charges	0	13,166	0	13,166
Banquets and Hospitality	316,168	0	0	316,168
Board Expense	37,738	0	0	37,738
Contractual Services	44,427	0	0	44,427
Food	405,399	0	0	405,399
Miscellaneous	172,851	0	0	172,851
Printing and Postage	0	18,457	0	18,457
Programs and Events	246,980	0	0	246,980
Publicity	62,074	0	98,929	161,003
Registration	55,450	0	0	55,450
Souvenirs	45,859	0	0	45,859
Stalls	46,327	0	0	46,327
Transportation	98,982	0	0	98,982
Venue	754,541	0	0	754,541
TOTAL FUNCTIONAL EXPENSES	\$ 5,098,186	\$ 67,710	\$ 107,003	\$5,272,899

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Donors and Members	\$ 639,496	\$ 4,412,244
Dividends and Interest Received	3,431	20,834
Paid to Suppliers and Not-For-Profit Organizations	(713,670)	(5,272,319)
Interest Paid	0	0
Income Taxes Paid	0	0
	(70,743)	(839,241)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	163,003	0
Payments for the Purchase of Investments	0	(7,395)
	163,003	(7,395)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Deposits Held for Others	(1,050,000)	0
Received to be Held for Others	0	1,050,000
	(1,050,000)	1,050,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(957,740)	203,364
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	1,357,394	1,154,030
END OF YEAR	\$ 399,654	\$ 1,357,394

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (56,518)</u>	<u>\$ (985,604)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation and Amortization	289	580
Realized Loss on Investments	162,623	0
Unrealized Loss on Investments	<u>(177,137)</u>	<u>145,783</u>
Total Adjustments	<u>(14,225)</u>	<u>146,363</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (70,743)</u></u>	<u><u>\$ (839,241)</u></u>

See the Accompanying Notes to the Financial Statements .

**AMERICAN TELUGU ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Telugu Association (the Organization) is an Illinois not-for-profit corporation that was established in 1991 to serve people of Telugu origin in North America and India. The Organization is funded through membership dues and private donations, a large portion of which are collected during its bi-annual conventions. The majority of its donations are designated for charitable projects, which the Organization disburses to sponsored projects in India.

A) Method of Accounting

The Organization's accounts are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred. The modified cash basis includes fixed assets, as it does on the accrual basis.

The Organization has adopted FASB *Accounting Standards Codification (ASC) 958, Not For Profit Entities*. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

B) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

**AMERICAN TELUGU ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Accounting Policies (Continued)

Investments - The Organization has adopted FASB *Accounting Standards Codification* (ASC) 958, *Not For Profit Entities*. Under ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of assets, liabilities, and net assets. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized gains and losses are included in the change in net assets.

Furniture and Equipment - Furniture and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on a straight-line basis over various useful lives. Depreciation expense for the years ended December 31, 2009 and 2008 is \$25 and \$316, respectively.

Leasehold improvements are stated at cost. Amortization is computed on a straight-line basis over various useful lives. Amortization expense for the years ended December 31, 2009 and 2008 is \$264 and \$264, respectively.

Donated Services - The Organization receives a significant amount of donated services from unpaid volunteers who serve on the Board of Trustees. No amounts have been recognized in the accompanying statements of support, revenue, and expenses - modified cash basis because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

Income Taxes - The Organization is a nonprofit organization (other than a private foundation) as described in Section 501(c)(3) of the Internal Revenue Service and is exempt from federal and state income taxes.

**AMERICAN TELUGU ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Accounting Policies (Continued)

Income Taxes (Continued) - In June 2006, the FASB issued Financial Interpretation 48, "Accounting for Uncertainty in Income Taxes" (*FASB Accounting Standard Codification (ASC) 740, Income Taxes*) which clarifies the accounting uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. Income tax positions must be a more likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted ASC 740 for the fiscal year ended December 31, 2009. The adoption of ASC 740 had no impact on the Company's financial position or results of operations.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BANK ACCOUNT IN INDIA

The Organization had a bank account in India with a balance of approximately \$6,212 at December 31, 2008. The activity in this account was estimated to be \$120,000 in deposits and disbursements during the year ended December 31, 2008 relating to the 2008 New York conference. The bank account was closed in May 2009.

**AMERICAN TELUGU ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 3 - INVESTMENTS

At December 31, 2009, investments are stated at fair value and consist primarily of stocks, as follows:

	Balance at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Unrealized Loss
Stocks	\$ 77	\$ 77	\$ 9,247	\$ (9,170)

At December 31, 2008, investments are stated at fair value and consist primarily of stocks and mutual funds, as follows:

	Balance at December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Unrealized Loss
Stocks	\$ 49	\$ 49	\$ 9,247	\$ (9,198)
Mutual Funds	148,517	148,517	325,627	(177,110)
	<u>\$ 148,566</u>	<u>\$ 148,566</u>	<u>\$ 334,874</u>	<u>\$ (186,308)</u>

FASB *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were used.

Level 1 Fair Value Measurements

The fair value of stocks and mutual funds is based on quoted market prices of the shares held by the Organization at year-end.

No investment return was restricted during the years ended December 31, 2009 and 2008.

**AMERICAN TELUGU ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 4 - FUNDS HELD FOR OTHERS

During the year ended December 31, 2008, the Organization received \$1,050,000 from a donor with instructions to hold the funds until given further instructions. At the donor's request, the Organization returned the funds, minus a 1% handling fee, to an entity related to the donor on April 18, 2009.

NOTE 5 - NET ASSET RESTRICTIONS AND DESIGNATIONS

Temporarily restricted net assets are available for the following purposes at December 31, 2009 and 2008:

	2009	2008
India Projects	\$ 48,235	\$ 48,956
Total Temporarily Restricted Net Assets	\$ 48,235	\$ 48,956

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended December 31, 2009 and 2008:

Purpose Restriction Accomplished:	2009	2008
India Projects	\$ 609,341	\$ 2,775,286
Total Restrictions Released	\$ 609,341	\$ 2,775,286

Unrestricted net assets are designated for the following purposes at December 31, 2009 and 2008:

	2009	2008
Emergencies and Support into Perpetuity	\$ 266,068	\$ 249,594
Total Unrestricted Designated Net Assets	\$ 266,068	\$ 249,594

NOTE 6 - LEASE COMMITMENT

The Organization leased office space under an operating lease that expired in December 2005 for \$500 per month, including electric, heating, and internet charges. The Organization continues to occupy the space with payments on a monthly basis. Rent expense for the years ended December 31, 2009 and 2008 is \$6,500 and \$6,000, respectively.

**AMERICAN TELUGU ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 7 - CONCENTRATION OF CREDIT RISK

At December 31, 2009 and 2008, the Organization has deposits in money market funds, which are not federally insured, with a balance of approximately \$266,000 and \$103,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 8 - LITIGATION

The Organization is a defendant in a lawsuit filed in 2009 by an attorney alleging unpaid legal fees of \$63,723. The case was settled against the Organization with a court order entered on February 2, 2010 in which the Organization was instructed to pay the full amount to the attorney.

The Organization is a defendant in another lawsuit filed in 2009 in which the plaintiff is seeking an inspection of certain records of the Organization. The plaintiffs seek declaratory judgment and injunctive relief but no monetary damages. The Organization will not permit inspection of its records and intends to vigorously contest the claims.

The Organization is a defendant in another lawsuit filed in 2009 alleging that the Organization owed the plaintiff \$200,211 of fees including attorney fees due to cancellation of a conference at a Houston hotel. The case was settled and resolved by the parties in 2011 when the Organization paid \$85,000

The Organization is a defendant in another lawsuit filed in 2009 by another attorney alleging unpaid legal fees of \$22,774. The case was settled against the Organization with a court order entered on August 10, 2010 in which the Organization was instructed to pay the full amount to the attorney.

NOTE 9 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2009, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is January 19, 2011, the date the financial statements were issued.