

THE DENAN PROJECT, INC.
Financial Statements
YEAR ENDED DECEMBER 31, 2010
(with comparative totals for 2009)

FRIEDBERG, SMITH & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

THE DENAN PROJECT, INC.

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Independent Auditor's Report

The Board of Directors
The Denan Project, Inc.
Woodbury Connecticut

We have audited the accompanying statement of financial position of The Denan Project, Inc. (Project) as of December 31, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information at December 31, 2009 and for the year then ended is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year on which an unqualified opinion dated October 12, 2010 was expressed (Note 3).

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.

The Project receives Revenues in the form of cash from contributions and certain fund-raising events. It was impractical for the Project to exercise control over these Revenues prior to the initial entry of these receipts in the accounting records; therefore, we could not extend our examination beyond the recorded receipts.

In our opinion, except for the effects, if any, on the financial statements of any adjustments that might have resulted had certain Revenues been susceptible to adequate accounting controls as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Denan Project, Inc. as of December 31, 2010, and the 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.

May 9, 2011



THE DENAN PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010

(with comparative totals for 2009)

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash - Checking	\$ 1,759	\$ 31,201
Cash - Savings	<u>651,770</u>	<u>638,493</u>
Total Cash	653,529	669,694
Inventory (Note 2)	2,547	2,050
Prepaid Expenses	<u>9,500</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 665,576</u>	<u>\$ 671,744</u>
<u>NET ASSETS</u>		
Net Assets (Notes 2 and 3)		
Board Designated	\$ 628,659	\$ 566,848
Unrestricted - Available for Operations	<u>36,917</u>	<u>104,896</u>
TOTAL NET ASSETS	<u>\$ 665,576</u>	<u>\$ 671,744</u>

THE DENAN PROJECT, INC.

STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010
(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<u>Revenues and Other Support (Note 2)</u>		
Contributions	\$ 298,831	\$ 191,579
Fund-Raising Events	46,524	16,471
Interest	<u>6,297</u>	<u>11,766</u>
Total Revenues and Other Support	<u>351,652</u>	<u>219,816</u>
<u>Expenses (Notes 2 and 3)</u>		
<u>Program Services:</u>		
Agriculture	-	2,573
Emergency Food	4,923	1,000
Hospital Related Projects	111,286	213,457
Education	9,537	14,884
Burkina Faso	57,165	53,602
Peru	67,137	16,141
Shinile Project	-	7,712
Other Programs	<u>83,086</u>	<u>29,038</u>
Total Program Expenses	333,134	338,407
<u>Support Services</u>		
Fund Raising	<u>3,506</u>	<u>2,255</u>
Total Functional Expenses	336,640	340,662
Direct Benefit to Donors	<u>21,180</u>	<u>12,180</u>
Total Expenses	<u>357,820</u>	<u>352,842</u>
Change in Net Assets	(6,168)	(133,026)
Net Assets - Beginning of Year	<u>671,744</u>	<u>804,770</u>
Net Assets - End of Year	<u>\$ 665,576</u>	<u>\$ 671,744</u>

THE DENAN PROJECT, INC.**STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010****(with comparative totals for 2009)****Increase (Decrease) In Cash**

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (6,168)	\$(133,026)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided		
<u>(Used) by Operating Activities:</u>		
Change in:		
Inventory	(497)	92
Prepaid Expenses	<u>(9,500)</u>	<u>-</u>
 Total Adjustments	 <u>(9,997)</u>	 <u>92</u>
 Net Cash Used by Operating Activities	 <u>(16,165)</u>	 <u>(132,934)</u>
 Net Decrease in Cash	 (16,165)	 (132,934)
 Cash - Beginning	 <u>669,694</u>	 <u>802,628</u>
 Cash - Ending	 <u>\$ 653,529</u>	 <u>\$ 669,694</u>

THE DENAN PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010
 (with comparative totals for 2009)

Denan	Denan					Support Services			Total Expenses 2009
	Emergency Food	Hospital Related Projects	Education	Burkina Faso	Peru	Other Programs	Total Program Expenses	Fund-Raising	
Agriculture	\$ -	-	\$ -	-	\$ -	\$ 86	\$ 86	-	\$ 86
Bank Service Charges	-	-	-	-	-	1,931	1,931	-	1,931
Education	-	-	2,337	-	-	1,200	3,537	-	3,537
Equipment	-	-	-	-	-	3,604	3,604	-	3,604
Fund Raising	-	-	-	-	-	-	-	3,506	3,506
Insurance	-	-	-	-	-	2,545	2,545	-	2,545
Medicine	-	22,000	-	-	-	-	22,000	-	22,000
Water	-	-	-	-	-	2,000	2,000	-	2,000
Nutrition	4,923	-	-	-	-	4,500	9,423	-	9,423
Office	-	-	-	-	-	4,585	4,585	-	4,585
Pipeline	-	-	-	-	-	-	-	-	-
Wages	-	52,332	7,200	-	-	46,507	106,039	-	106,039
Professional Services	-	19,200	-	-	-	3,600	22,800	-	22,800
Travel	-	15,335	-	-	-	2,196	17,531	-	17,531
Auto Expense	-	2,419	-	-	-	4,262	6,681	-	6,681
Micro-loan	-	-	-	-	-	1,500	1,500	-	1,500
Diesel	-	-	-	-	-	4,570	4,570	-	4,570
Training	-	-	-	-	-	-	-	-	-
Burkina Faso:									
General Operating	-	-	-	8,500	-	-	8,500	-	8,500
Equipment	-	-	-	7,000	-	-	7,000	-	7,000
Medicine	-	-	-	19,500	-	-	19,500	-	19,500
Wages	-	-	-	16,615	-	-	16,615	-	16,615
Professional Fees	-	-	-	5,550	-	-	5,550	-	5,550
Peru									
Bank Charges	-	-	-	-	20	-	20	-	20
Construction Costs	-	-	-	-	22,500	-	22,500	-	22,500
Furniture & Equipment	-	-	-	-	6,700	-	6,700	-	6,700
Hospital	-	-	-	-	200	-	200	-	200
Medicine	-	-	-	-	9,000	-	9,000	-	9,000
Mobile Clinic	-	-	-	-	1,000	-	1,000	-	1,000
Professional Fees	-	-	-	-	6,400	-	6,400	-	6,400
Travel	-	-	-	-	16,617	-	16,617	-	16,617
Wages	-	-	-	-	4,700	-	4,700	-	4,700
Total Functional Expenses	\$4,923	\$111,286	\$9,537	\$57,165	\$67,137	\$83,086	\$333,134	\$3,506	\$336,640
									\$340,662

THE DENAN PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(with comparative totals for 2009)

NOTE 1 - NATURE OF OPERATIONS

The Denan Project, Inc. (Project) was established as a non-stock corporation in Woodbury, Connecticut. The Project is a grassroots organization whose volunteer members secure the necessary resources to provide free medical care, portable water, agricultural training, education, and other critical services for the people of Denan, Ethiopia and the surrounding villages, and to other impoverished communities in the developing world.

The Denan Project (TDP) is currently managing several active projects and programs in 3 different countries.

In Denan Ethiopia, there is a fully staffed hospital which opened in April 2004. There are programs for polio eradication, TB treatment, vaccination, supplemental feeding, health education, pre-natal and well baby and female anit-genital mutilation. Related to agriculture, TDP also provided a tractor, farm implements and drought-resistant seeds to help the various farming cooperatives grow much needed crops. In the area of education, TDP provides quality teachers and school supplies. As water is scarce, TDP has built large collection reservoirs which are filled by its water tanker which transports water from a well that it has dug. TDP also provides for emergency food shipments on occasion. All medical and other services are provided free to the surrounding villages. TDP also provides micro-loans to organized groups to help them start cottage industries.

In Burkina Faso and Peru, TDP has opened 2 more clinics. The clinic in Burkina Faso was opened in March 2009 and Peru was opened in August 2010. The clinics are also staffed and provide free medical care to the surrounding villagers.

The Project's support comes primarily from individual, corporate and foundation contributions worldwide.

The Project is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Project is also exempt from state income tax.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classes

The net asset classes of the Project consist of the following:

Unrestricted Net Assets

Unrestricted net assets consist of net assets over which the governing Board has control to use in carrying out the operations of the Project in accordance with its charter and by-laws and are neither Permanently restricted nor Temporarily restricted by donor-imposed restrictions.

THE DENAN PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(with comparative totals for 2009)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Asset Classes (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (Time restriction) or can be fulfilled and removed by actions of the Project pursuant to the restrictions (Purpose restriction). If a restriction is fulfilled, however, in the same time period in which the contribution or grant is received, the Project reflects the Support as Unrestricted at the date the Promise to give is received.

When donor-imposed restrictions expire, that is when a stipulated Time restriction ends or Purpose restriction is accomplished, Temporarily restricted net assets are reclassified to Unrestricted net assets and reported in the accompanying Statement of activities as Net assets released from restrictions.

The Project had no Temporarily restricted net assets at either December 31, 2010 or 2009.

Permanently Restricted Net Assets

The Project had no Permanently restricted net assets at either December 31, 2010 or 2009.

Contributions

Contributions received or Promises to give without donor-imposed restrictions are reflected as Unrestricted support. Contributions received or Promises to give with donor-imposed restrictions are reflected as either Temporarily or Permanently restricted support in the accompanying financial statements. Contributions or Promises to give with donor-imposed conditions are not recognized as Contributions or Promises to give in the accompanying financial statements until the period when the conditions are met.

Promises to give that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the Promises to give, net of an Allowance for uncollectible amounts). Promises to give that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate commensurate with the risks involved at the date the Promise to give is received.

Inventory

Inventory consists of supplies and is valued at the lower of cost or market using the first-in first-out (fifo) method.

THE DENAN PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(with comparative totals for 2009)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Goods and Services

Goods and services have been provided by various organizations, and a number of unpaid volunteers have contributed their time. Contributions are recognized if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods or services that do not meet the above criteria are not recognized.

During the years ended December 31, 2010 and 2009 a number of volunteers have donated considerable time to the Project. However, detailed records were not maintained and a value for this time could not be computed and therefore is not reported in the accompanying financial statements.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying Statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

Income Taxes

Management of the Project has evaluated all significant tax positions as required by generally accepted accounting principles in the United States of America (Note 1).

Management of the Project is of the opinion that the entity has not taken any material tax positions that would require the recording of any or an additional tax liability by the entity (or the Partners/Members of the entity) nor is Management of the Project of the opinion that there are any unrealized tax benefits that would either increase or decrease materially within the next year. It is the Project's policy to recognize any estimated interest and penalties in the provision for taxes.

The tax returns of the entity for the three years ended December 31, 2009 are subject to examination by the taxing authorities.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 9, 2011, the date the financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

THE DENAN PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
 (with comparative totals for 2009)

NOTE 3 – BOARD DESIGNATED FUNDS

The Board of Directors of the Project has Designated funds at December 31, for the following purpose:

<u>2010</u>	<u>01/01/10</u>	<u>Contributions and</u>	<u>Transfers</u>	<u>Expended</u>	<u>12/31/10</u>
	<u>Balance</u>	<u>Fund Raising</u>		<u>(Exhibit D)</u>	<u>Balance</u>
<u>Denan</u>					
Agriculture	\$ 11,391	\$ -	\$ -	\$ -	\$ 11,391
Emergency Food	31,580	36,000	-	(4,923)	62,657
Hospital and Related Projects	387,939	-	70,850	(111,286)	347,503
Hospital Unallocated	25,000	25,000	12,500	(1,344)	61,156
Pre-Natal and Well Baby	15,250	250	-	-	15,500
Education	57,151	3,800	-	(9,537)	51,414
Medical Outreach	22,239	-	(12,000)	-	10,239
Other Miscellaneous	6,500	-	-	(1,500)	5,000
Burkina Faso	9,798	62,303	-	(57,165)	14,936
Peru Clinic	-	116,000	-	(67,137)	48,863
Total	<u>\$566,848</u>	<u>\$243,353</u>	<u>\$71,350 (A)</u>	<u>(\$252,892)</u>	<u>\$628,659</u>

(A) Transfer from unrestricted Net Assets

THE DENAN PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
 (with comparative totals for 2009)

NOTE 3 – BOARD DESIGNATED FUNDS (continued)

<u>2009</u>	<u>01/01/09</u>	<u>Contributions and</u>	<u>Transfers</u>	<u>Expended</u>	<u>12/31/09</u>
<u>Denan</u>	<u>Balance</u>	<u>Fund Raising</u>	<u></u>	<u></u>	<u>Balance</u>
Agriculture	\$ 13,964	\$ -	\$ -	\$ (2,573)	\$ 11,391
Emergency Food	27,010	5,570	-	(1,000)	31,580
Hospital and Related Projects	325,977	131,678	158,991	(213,457)	403,189
Education	46,972	25,063	-	(14,884)	57,151
Medical Outreach	14,380	24,000	-	(16,141)	22,239
Other Miscellaneous	5,000	1,500	-	-	6,500
Hospital Unallocated	55,000	-	(30,000)	-	25,000
Water Supply	45,000	-	(45,000)	-	-
Hospital Capital	12,500	-	(12,500)	-	-
Medical Manpower	8,500	-	(8,500)	-	-
Hospital Improvements	40,703	-	(40,703)	-	-
Shinile	30,000	-	(22,288)	(7,712)	-
Burkina Faso	<u>53,400</u>	<u>10,000</u>	<u>-</u>	<u>(53,602)</u>	<u>9,798</u>
Total	<u>\$678,406</u>	<u>\$197,811</u>	<u>\$ -</u>	<u>(\$309,369)</u>	<u>\$566,848</u>

THE DENAN PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

(with comparative totals for 2009)

NOTE 4 - PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Project's financial statements for the year ended December 31, 2009 from which the summarized information was derived.