OKIZU FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 5, 2012

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OKIZU FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
Assets:		
Cash	$ 106,497	$ 102,536
Pledges and grants receivable, net	726,449	761,270
Investments	34,596	29,811
Prepaid expenses	18,950	16,640
Inventory	3,158	-
Property and equipment, net	7,571,475	7,777,264
Loan fees, net of accumulated amortization of $19,851 and $15,538	40,025	44,338
Security deposit	3,500	3,500
Total assets	$ 8,504,650	$ 8,735,359
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 3,258	$ 7,990
Accrued payroll	4,499	3,021
Accrued interest	4,443	7,332
Notes payable	2,732,912	3,128,084
Total liabilities	2,745,112	3,146,427
Net assets:		
Unrestricted:		
Designated	4,838,563	4,649,180
Undesignated	305,258	452,424
Total unrestricted net assets	5,143,821	5,101,604
Temporarily restricted	615,717	487,328
Total net assets	5,759,538	5,588,932
Total liabilities and net assets	$ 8,504,650	$ 8,735,359

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Special events revenue	$ 721,554	-	$ 721,554	$ 751,686	-	$ 751,686
Direct benefits to donors	(295,597)	-	(295,597)	(251,424)	-	(251,424)
Special events, net	425,957	-	425,957	500,262	-	500,262
Contributions	973,632	251,000	1,224,632	1,223,468	463,717	1,687,185
Contributed goods and services	108,752	-	108,752	108,312	-	108,312
Investment income	151	2,785	2,936	381	2,529	2,910
Other income	62,285	-	62,285	-	-	-
Net asset released from restrictions	125,396	(125,396)	-	-	-	-
Total revenue and support	1,696,173	128,389	1,824,562	1,832,423	466,246	2,298,669
Expenses:						
Program services	1,361,835	-	1,361,835	1,248,451	-	1,248,451
Management and administrative	113,878	-	113,878	106,056	-	106,056
Fundraising	178,243	-	178,243	183,296	-	183,296
Total expenses	1,653,956	-	1,653,956	1,537,803	-	1,537,803
Changes in net assets	42,217	128,389	170,606	294,620	466,246	760,866
Net assets, beginning of year	5,101,604	487,328	5,588,932	4,806,984	21,082	4,828,066
Net assets, end of year	$ 5,143,821	$ 615,717	$ 5,759,538	$ 5,101,604	$ 487,328	$ 5,588,932

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Changes in net assets	$ 170,606	$ 760,866
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	248,802	241,883
Amortization of loan fees	4,313	4,313
Donated stocks included in income	(2,005)	(2,176)
Net realized and unrealized gain on investments	(2,465)	(2,278)
(Increase) decrease in assets:		
Pledges and grants receivable	34,821	(701,270)
Prepaid expenses	(2,310)	4,940
Inventory	(3,158)	-
Increase (decrease) in liabilities:		
Accounts payable	(4,732)	2,226
Accrued payroll	1,478	(5,748)
Accrued interest	(2,889)	(2,410)
Total adjustments	271,855	(460,520)
Net cash provided by operating activities	442,461	300,346
Cash flows from investing activities:		
Purchases of property and equipment	(43,013)	(17,544)
Purchases of investments	(2,320)	(6,451)
Proceeds from sales of investments	2,005	2,176
Net cash used by investing activities	(43,328)	(21,819)
Cash flows from financing activities:		
Proceeds from line of credit	-	231,713
Payments on line of credit	-	(231,713)
Payments on notes payable	(395,172)	(222,593)
Net cash used by financing activities	(395,172)	(222,593)

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2011 and 2010

	2011	2010
Net increase in cash	3,961	55,934
Cash, beginning of year	102,536	46,602
Cash, end of year	$ 106,497	$ 102,536

Supplemental disclosure of cash flow information:

Cash paid for interest was $152,524 and $160,026 for the years ended December 31, 2011 and 2010, respectively.

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2011 and 2010

	2011				2010			
	Program Services	Management and Administrative	Fundraising	Total	Program Services	Management and Administrative	Fundraising	Total
Salaries and benefits	$ 399,771	$ 49,088	$ 143,488	$ 592,347	$ 348,812	$ 42,228	$ 144,531	$ 535,571
Depreciation and amortization	253,115	-	-	253,115	246,196	-	-	246,196
Interest	149,635	-	-	149,635	157,616	-	-	157,616
Repairs and maintenance	117,203	601	1,821	119,625	90,128	1,328	2,493	93,949
Contributed goods and services	70,846	30,406	7,500	108,752	70,646	30,166	7,500	108,312
Utilities	78,817	1,098	3,327	83,242	68,128	1,036	4,144	73,308
Camp food and laundry	80,028	-	-	80,028	72,962	-	-	72,962
Camper transportation	67,697	-	-	67,697	66,136	-	-	66,136
Insurance	38,832	583	1,766	41,181	40,381	815	3,238	44,434
Occupancy	37,023	4,133	12,524	53,680	31,284	3,369	13,476	48,129
Office expense	33,939	1,748	-	35,687	22,557	4,284	-	26,841
Professional services	1,932	19,781	-	21,713	2,278	18,307	-	20,585
Miscellaneous	17,007	5,161	-	22,168	15,841	3,547	-	19,388
Supplies	11,759	807	2,446	15,012	12,228	625	2,499	15,352
Postage	4,231	472	2,405	7,108	3,258	351	1,403	5,012
Fundraising	-	-	2,966	2,966	-	-	4,012	4,012
Total expenses	$ 1,361,835	$ 113,878	$ 178,243	$ 1,653,956	$ 1,248,451	$ 106,056	$ 183,296	$ 1,537,803

See accompanying notes and auditors' report.

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. There is never a charge for participation in the Foundation's programs because of the emotional, financial and physical burdens placed on the families by this disease.

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.

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.

Inventory

Inventory is stated at the lower of cost or market, where cost is determined using the first-in, first-out method. Inventory consists primarily of logo merchandise held for resale.

Investments

Investments in all debt and equity securities are stated at fair value at December 31, 2011 and 2010, 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.

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

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.

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, 2011 and 2010.

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.

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

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.

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.

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

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.

NOTE C -- Pledges and grants receivable, net

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

	2011	2010
Due within one year	$ 456,000	$ 325,000
Due in one to five years	280,000	460,000
	736,000	785,000
Less unamortized discount	(9,551)	(23,730)
Pledges and grants receivable, net	$ 726,449	$ 761,270

The discount rate was 3.25% for the years ended December 31, 2011 and 2010, and 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:

	2011	2010
Mutual funds	$ 34,596	$ 29,811

NOTE E -- Property and equipment

Property and equipment consist of the following at December 31:

	2011	2010
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	150,038
Transportation equipment	105,821	86,493
Equipment	60,362	36,677
	10,274,990	10,231,977
Less accumulated depreciation	(2,703,515)	(2,454,713)
Property and equipment, net	$ 7,571,475	$ 7,777,264

Depreciation expense for the years ended December 31, 2011 and 2010 was $248,802 and $241,883, respectively.

NOTE F -- Line of credit

The Foundation has a 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, 2011 and 2010). During renewal in August 2011, the borrowing limit on this note was reduced from $400,000 to $200,000. Interest is payable monthly and the principal is due at maturity unless renewed. The agreement is subject to renewal on August 9, 2012.

During 2011, the Foundation obtained an additional, specific purpose line of credit with the same bank with a borrowing limit of up to $505,500. Use of this line is solely for the principal payment on the note payable to The David and Lucile Packard Foundation. The line is limited to three draws available during December 2012, 2013 and 2014 in the amount of $168,500 each. If the Foundation does not elect to draw during the calendar year, that year's draw is eliminated. The amount borrowed will be converted into a two year term loan on December 1, 2014. All amounts borrowed and accrued interest converted into a term loan are payable in 24 monthly installments of interest and principal. From the date of borrowing until December 1, 2014, any borrowing will accrue interest at prime rate or 3%, whichever is higher. After December 1, 2014, an additional 2% is added to the rate. There were no outstanding balances on these lines of credit at December 31, 2011 and 2010.

NOTE G -- Notes payable

Notes payable consist of the following at December 31:

	2011	2010
Variable rate note payable with Northern Trust Bank of California with final payment due on August 9, 2034. In November 2011, the Foundation renegotiated a fixed interest rate of 4.68% from the previous rate of 7.6% for the next five years with the fixed monthly payment at $9,718, which includes interest and principal. The note is secured by a deed of trust and guaranteed by two of the board members and the United States Department of Agriculture.	$ 1,627,412	$ 1,654,084
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 board members. The note includes certain contingent provisions related to accelerated principal payments.	1,105,500	1,474,000
	$ 2,732,912	$ 3,128,084

Future maturities of the notes payable are as follows:

Years Ending December 31,	
2012	$ 409,833
2013	411,809
2014	413,880
2015	47,550
2016	49,824
Thereafter	1,400,016
	$ 2,732,912

See auditors' report.

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:

	2011	2010
Property and equipment, net (Note E)	$ 7,571,475	$ 7,777,264
Less related borrowings (Note G)	(2,732,912)	(3,128,084)
Total unrestricted net assets - designated	$ 4,838,563	$ 4,649,180

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, 2011 and 2010 are as follows:

	Temporarily Restricted
Endowment net assets, at January 1, 2010	$ 21,082
Contributions	8,200
Investment return	251
Net appreciation (unrealized)	2,278
Endowment net assets, at December 31, 2010	31,811
Investment return	320
Net appreciation (unrealized)	2,465
Endowment net assets, at December 31, 2011	$ 34,596

See auditors' report.

NOTE J -- Special events revenue, net

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

	2011	2010
Art Inspiring Hope dinner income	$ 504,734	$ 491,630
Sacramento dinner income	71,612	52,916
Lobsterfest dinner income	58,560	89,309
Walk 'N Rock for Kids	51,018	93,406
Other special events	35,630	24,425
	721,554	751,686
Less costs of direct benefits to donors	(295,597)	(251,424)
Special events revenue, net	$ 425,957	$ 500,262

NOTE K -- Contributed goods and services

Contributed medical, accounting services and board training valued at $108,752 and $108,312 were recorded for the years ended December 31, 2011 and 2010, respectively. The Foundation also recognized $28,461 and $1,650 for donated use of facilities and professional services for one of the events for the years ended December 31, 2011 and 2010, 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, 2011 and 2010. 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, 2013. The lease provides for monthly payments of $3,976. The Foundation rented a storage space on a month-to-month basis during 2011. Rent expense included in occupancy cost was $53,680 and $48,129 for the years ended December 31, 2011 and 2010, respectively.

See auditors' report.

NOTE L -- Lease obligations (continued)

Future minimum rental payments are as follows:

Years Ending December 31,		
2012	$	47,712
2013		11,928
	$	59,640

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, 2011 and 2010, the Foundation paid $21,882 and $16,529, 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, 2011 and 2010.

NOTE O -- Subsequent events

The Foundation obtained a one year extension of the office space lease agreement from March 31, 2012 to March 31, 2013 (see Note L).

The date to which events occurring after December 31, 2011 have been evaluated for possible adjustments to the financial statements or disclosure is June 5, 2012, which is the date on which the financial statements were available to be issued.