

To: Muhammad Subuh Foundation

## AUDITOR'S REPORT

We have audited the financial statements 2007 of Muhammad Subuh Foundation, Richmond, United States, which comprise the balance sheet as at December 31, 2007, the profit and loss account for the year then ended and the notes.

### *Management's responsibility*

Management of the Foundation is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report both, in accordance with accounting principles generally accepted in the Netherlands. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Muhammad Subuh Foundation as at December 31, 2007, and of its result for the year then ended in accordance with accounting principles generally accepted in the Netherlands.

Rotterdam, June 27, 2008

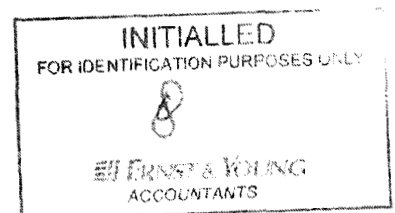
for Ernst & Young Accountants

signed by W.E. Paardekooper

**THE MUHAMMAD SUBUH FOUNDATION**

**INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2007 AND 2006**



**THE MUHAMMAD SUBUH FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2007 AND 2006**  
**(U.S. DOLLARS)**

ASSETS

	<u>2007</u>	<u>2006</u>
Cash Available for Current Use (NOTE 2)	\$ 2,090,836	\$ 1,915,099
Accounts Receivable & Prepayments	\$ 54,361	\$ 77,923
Investments (NOTE 3)	\$ 1,559,123	\$ 838,003
Notes Receivable Long Term (NOTE 7)	\$ 367,865	\$ 357,948
Notes Receivable from Subud Organisations (NOTE 12)	\$ 27,919	\$ 50,208
Land and Buildings Net of Accumulated Depreciation (NOTE 1)	\$ 168,276	\$ 174,991
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 4,268,380</u></b>	<b><u>\$ 3,414,172</u></b>

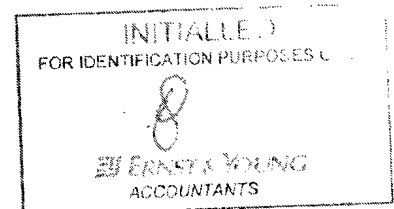
LIABILITIES AND NET ASSETS

Liabilities

Loans from Trustees (NOTE 10)	\$ 24,800	\$ 24,900
Euro loan (NOTE 11)	\$ 100,198	\$ 89,665
Distributable Grants	\$ 20,000	\$ 30,000
Accounts payable	\$ 60,480	\$ 4,151
<u>Total Liabilities</u>	<u>\$ 205,478</u>	<u>\$ 148,716</u>

Net Assets


Unrestricted - Capital Use Fund	\$ 1,383,867	\$ 1,329,331
Unrestricted - Designated as Capital Preservation Fund (NOTE 6)	\$ 1,368,739	\$ 385,629
Unrestricted - Designated as Bapak's Talks Fund (NOTE 5)	\$ -	\$ -
Unrestricted - Designated as Youth Support Fund	\$ 12,600	\$ 16,550
<u>Total Unrestricted Net Assets</u>	<u>\$ 2,765,206</u>	<u>\$ 1,731,510</u>
Temporarily Restricted (NOTE 4)	\$ 351,966	\$ 656,157
Permanently Restricted - Permanent capital Fund (NOTE 4)	\$ 945,730	\$ 877,789
<u>Total Net Assets</u>	<u>\$ 4,062,902</u>	<u>\$ 3,265,456</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 4,268,380</u></b>	<b><u>\$ 3,414,172</u></b>



**THE MUHAMMAD SUBUHI FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006.**  
**(U.S. Dollars)**

	Unrestricted 2007	Temporarily Restricted 2007	Permanently Restricted 2007	Total 2007
<u>Support and Revenue</u>				
Contributions from Subud Members	\$ 3,015	\$ 1,800	\$ 1,050	\$ 5,865 ✓
Contributions from Enterprises	\$ 1,500			\$ 1,500 ✓
Grants				
Legacies & Bequests	\$ 146,702		\$ 80,188	\$ 226,890 ✓
Dividends and Realized Gains	\$ -41,005		\$ 7,398	\$ -33,607
Interest Revenue	\$ 13,409		\$ 2,068	\$ 15,477 ✓
Miscellaneous	\$ 622			\$ 622
	\$ 124,243	\$ 1,800	\$ 90,704	\$ 216,747
	\$ 328,754	\$ -305,991	\$ -22,763	\$ -
Net Assets Released from Restrictions (NOTE 5)				
	\$ 452,997	\$ -304,191	\$ 67,941	\$ 216,747
<u>TOTAL SUPPORT AND REVENUE</u>				
<u>Expenses</u>				
<u>Programs:</u>				
Grants for Subudhouses	\$ 75,532			\$ 75,532
Grants to World Subud Association	\$ 60,100			\$ 60,100
Grants - Other	\$ 121,858			\$ 121,858
Depreciation Expense on Long-Term Assets	\$ 6,715			\$ 6,715
Total Program Expenses	\$ 264,205			\$ 264,205
Management and General (see Schedule)	\$ 29,095			\$ 29,095
	\$ 293,300			\$ 293,300
<u>Other Gains/Losses</u>				
Unrealized (Gain)/Loss on Investments (NOTE 3)	\$ -822,642			\$ -822,642
(Gains)/Losses on Currency Differences	\$ -36,356			\$ -36,356
Correction previous years	\$ -15,000			\$ -15,000
<u>TOTAL EXPENSES AND LOSSES</u>	\$ -580,698			\$ -580,698
Change in Net Assets	\$ 1,033,695	\$ -304,191	\$ 67,941	\$ 797,445
Net assets - Beginning of Period	\$ 1,731,510	\$ 656,157	\$ 877,789	\$ 3,265,456
Net Assets - End of Period	\$ 2,765,205	\$ 351,966	\$ 945,730	\$ 4,062,901

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ERNST & YOUNG  
ACCOUNTANTS

**THE MUHAMMAD SUBUHI FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006.**  
**(U.S. Dollars)**


	Unrestricted 2006	Temporarily Restricted 2006	Permanently Restricted 2006	Total 2006
<b>Support and Revenue</b>				
Contributions from Subud Members	\$ 16,979	\$ 6,123	\$ 950	\$ 24,052
Contributions from Enterprises	\$ 99,271	\$ -	\$ -	\$ 99,271
Grants	\$ -	\$ -	\$ -	\$ -
Legacies & Bequests	\$ 16,354	\$ -	\$ 39,410	\$ 55,764
Dividends and Realized Gains	\$ 1,605	\$ -	\$ -	\$ 1,605
Interest Revenue	\$ 79,973	\$ 61,197	\$ 61,846	\$ 203,016
Miscellaneous	\$ 1,344	\$ -	\$ -	\$ 1,344
	\$ 215,526	\$ 67,320	\$ 102,206	\$ 385,052
<b>Net Assets Released from Restrictions (NOTE 5)</b>	\$ 5,768	\$ -5,768	\$ -	\$ -
<b>TOTAL SUPPORT AND REVENUE</b>	\$ 221,294	\$ 61,552	\$ 102,206	\$ 385,052

<b>Expenses</b>				
<b>Programs:</b>				
Grants for Subudhouses	\$ 10,106	\$ -	\$ -	\$ 10,106
Grants to World Subud Association	\$ 50,000	\$ -	\$ -	\$ 50,000
Grants - Other	\$ 16,273	\$ -	\$ -	\$ 16,273
Depreciation Expense on Long-Term Assets	\$ 6,715	\$ -	\$ -	\$ 6,715
<b>Total Program Expenses</b>	\$ 83,094	\$ -	\$ -	\$ 83,094
Management and General (see Schedule)	\$ 24,233	\$ -	\$ -	\$ 24,233

<b>Total Expenses</b>	\$ 107,327	\$ -	\$ -	\$ 107,327
<b>Other Gains/Losses</b>				
Unrealized (Gain)/Loss on Investments (NOTE 3)	\$ -57,023	\$ -340,335	\$ -	\$ -397,358
(Gains)/Losses on Currency differences	\$ -12,850	\$ -	\$ -	\$ -12,850
Correction previous years	\$ -3,378	\$ -1,849	\$ 3,378	\$ -1,849
<b>TOTAL EXPENSES AND LOSSES</b>	\$ 34,076	\$ -342,184	\$ 3,378	\$ -304,730

Change in Net Assets	\$ 187,218	\$ 403,736	\$ -98,828	\$ 689,782
Net assets - Beginning of Period	\$ 1,544,292	\$ 252,421	\$ 778,961	\$ 2,575,674
Net Assets - End of Period	\$ 1,731,510	\$ 656,157	\$ 877,789	\$ 3,265,456

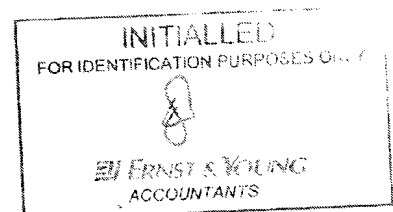
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ACCOUNTANTS

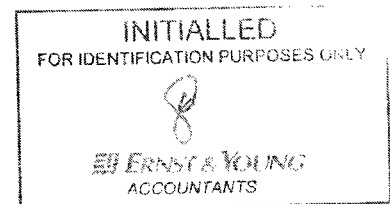
**THE MUHAMMAD SUBUH FOUNDATION  
SUPPORTING SCHEDULES OF MANAGEMENT  
AND GENERAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31,  
2007 AND 2006  
(U.S. Dollars)**

	Unrestricted <u>2007</u>	Unrestricted <u>2006</u>
<u>Management and General Expenses</u>		
Trustee Meeting Expenses	\$ 9,051	\$ 8,414
Office Supplies and Expense	\$ 665	\$ 1,134
Audit Services	\$ 8,241	\$ 7,939
Legal Fees	\$ 2,592	\$ 1,835
Other Fees and Allowances	\$ 6,700	\$ 3,000
Bank Service Charges	\$ 1,174	\$ 1,340
Credit Card Service	\$ 672	\$ 571
Miscellaneous	\$ -	\$ -
TOTAL	\$ 29,095	\$ 24,233



**THE MUHAMMAD SUBUH FOUNDATION**  
**STATEMENTS OF CASH FLOWS FOR THE YEARS**  
**ENDED DECEMBER 31, 2007 AND 2006**  
**(U.S.Dollars)**

	<u>2007</u>	<u>2006</u>
<u>Cash Flows from Operating Activities</u>		
(Decrease) / increase in Total Net Assets	\$ 797,446	\$ 689,783
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation and Amortization	\$ 6,715	\$ 6,715
Unrealized (Gains)/ Loss on Investments	\$ (739,760)	\$ (356,576)
Currency Diff. on YMS/Euro Loan	\$ -	\$ (4,867)
Decrease in:		
Donated Securities	\$ -	\$ -
Accounts Receivable and Other Assets	\$ 14,157	\$ (25,352)
(Decrease) / Increase in:		
Accounts and Notes Payable	\$ 56,762	\$ (19,294)
Total Adjustments	<u>\$ (662,126)</u>	<u>\$ (399,374)</u>
Net Cash Used in Operating Activities	\$ 135,320	\$ 290,409
<u>Cash Flows from Investing Activities</u>		
Loan Repayments from Subud Organizations	\$ 21,777	\$ 2,250
De-investment	\$ 18,640	\$ 5,715
Loans to Subud Organizations for Houses	<u>\$ -</u>	<u>\$ -</u>
Net Cash Provided by (Used in) investing Activities	\$ 40,417	\$ 7,965
Net Increase (Decrease) in Cash and Equivalents	\$ 175,737	\$ 298,374
Cash and Equivalents - Beginning of Year	\$ 1,915,099	\$ 1,616,725
Cash and Equivalents - End of Year	\$ 2,090,836	\$ 1,915,099



**THE MUHAMMAD SUBUH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

Organization, Purpose, Affiliation and Tax Status

The Muhammad Subuh Foundation, a non-profit tax-exempt corporation, was organized August 2, 1991, in the State of Virginia, United States of America, by its parent organization, the World Subud Association. The Foundation was created for the purpose of holding long-term assets of its parent organization and for soliciting contributions from public and private sources, whether or not restricted as to manner, amount, or timing, and to apply these funds to any charitable, educational, literary, or scientific purpose jointly approved by the Foundation Trustees and the Directors of the World Subud Association. The principal office of the Foundation is presently located in Rotterdam, Netherlands, and the Trustees reside in the USA, Asia, Australia and Europe.

The World Subud Association, a non-profit tax-exempt corporation organized in the District of Columbia, USA, exercises control over the Foundation through its right to appoint and remove Foundation trustees, its right to one ex-officio position on the Foundation's Board of Trustees, and its right to approve the Foundation's annual budget.

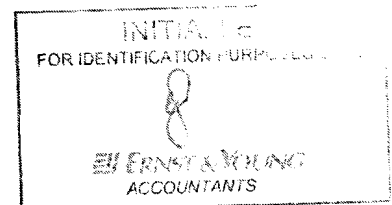
Income Taxes.

On July 6, 1992, the Foundation was granted tax-exempt status as a section 501(c)(3) organization and was recognized as a public charity by the United States Internal Revenue Service. Accordingly, no provision has been made for United States federal or state income taxes.

Classification of Net Assets.

Net assets are assets reduced by liabilities and are reported in the financial statements in three classes: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, based on the absence or existence of donor-imposed restrictions.

Permanently restricted net assets generally result from long-lived assets donated for a specific purpose with a donor stipulation that the assets be preserved and not be sold, or from assets donated with donor stipulations that they be invested to provide a permanent source of income, e.g. endowment funds.



Temporarily restricted net assets are those assets donated for (a) support of particular operating activities, (b) temporary investment for a specified term, (c) use in a specified future period, or (d) acquisition and use of long-lived assets such as buildings.

Unrestricted net assets (capital use fund) generally result from receipt of unrestricted contributions, grants, interest and dividends, revenues from providing services, raising contributions, and performing administrative functions. The only limitations on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in the articles of incorporation or bylaws, limits from contractual agreements with suppliers and creditors, and self-imposed limits such as voluntary resolutions by the Trustees to designate a portion of its unrestricted net assets to function as an endowment (e.g., the capital preservation fund).

#### Recognition of Income

In 2007 and 2006 contributions were solicited from individual Subud members, businesses, and Subud organizations worldwide and no solicitations were made to the general public. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as income when received and allowances are provided for pledges estimated to be uncollectable.

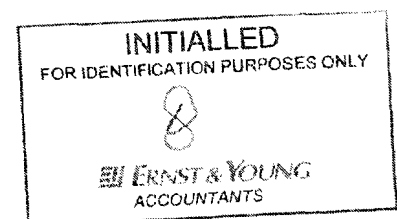
Cost is recorded in the same period as revenue, other cost and expense is recognised in the period to which it relates.

#### Property and Equipment.

Property is recorded at cost or at estimated fair value at the date of gift, if donated. Maintenance, repairs, and renewals are expensed, and additions and improvements are capitalized. Depreciation is computed on a straight-line basis over the estimated useful life of the asset. Depreciation for long-term assets for both the years ended December 31, 2007 and 2006 amounts to \$ 6,715.

In 1993 the Foundation received contractual rights to land and buildings at the Amanecer International Subud Center located near Armenia, Colombia. In July 2001 the land and main building of Fundacion Amanecer have been formally conveyed to the Foundation.

Depreciation summary.	Value at Acquisition	Prior Accum. Depreciation	Current year depreciation	Total accum. Depreciation	Value ult. 2005
Land & Buildings					
Amanecer, Colombia	\$ 238.982	\$ 73.911	\$ 5.475	\$ 79.386	\$ 159.596
Archive House, Indonesia	\$ 31.000	\$ 21.080	\$ 1.240	\$ 22.320	\$ 8.680
	\$ 269.982	\$ 94.991	\$ 6.715	\$ 101.706	\$ 168.276



The Foundation owned no equipment and all operations were carried out using facilities and office equipment owned by individual officers, trustees, or by affiliated organisations.

#### Investments.

The Foundation adopts Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not for Profit Organizations*, in 1996. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets. For unlisted investments the valuation is based on the net equity value as per the most recent financial data or, if this value is unknown, on the nominal value of the investment.

#### Other assets and liabilities.

All other assets and liabilities are stated at face value.

#### Statement of Cash Flows.

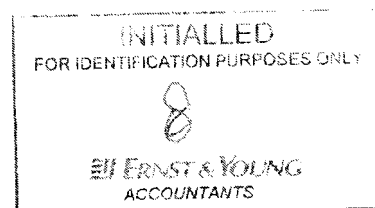
The Foundation considers all cash on hand, demand cash balances, and highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

#### Currency Valuation.

All values presented in the financial statements are stated in United States dollars. Assets and liabilities denominated in foreign currencies are translated into US dollars at year end. Transactions in foreign currencies are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the income statement.

#### NOTE 2 CASH

The Foundation maintains demand deposit bank accounts in US and Dutch banks for operations and a capital fund designated as such by the Trustees. There are no restrictions placed on these cash balances by the respective banks.



NOTE 3 INVESTMENTS

Equity and debt investments with readily determinable fair values:

	% held	2007			2006		
		Value at		Appreciation (Depreciation)	Value at		Appreciation (Depreciation)
		Acquisition date	Fair Value		Acquisition date	Fair Value	
Lloyds TSB	0	\$ -	\$ -	\$ -	\$ 3,149	\$ 3,301	\$ 152
Prudential	0	\$ -	\$ -	\$ -	\$ 2,658	\$ 3,424	\$ 766
GlaxoSmithKline	0	\$ -	\$ -	\$ -	\$ 2,261	\$ 2,553	\$ 292
Shell Transport & Trading	0	\$ -	\$ -	\$ -	\$ 3,234	\$ 4,521	\$ 1,287
Kalimantan Gold Corp.	0	\$ 57,360	\$ 20,680	\$ (36,680)	\$ 57,360	\$ 29,095	\$ (28,265)
Verizon	0	\$ -	\$ -	\$ -	\$ 3,914	\$ 4,841	\$ 927
7.75% UK Treasury St.		\$ -	\$ -	\$ -	\$ 4,611	\$ -	\$ (4,611)
<b>Total</b>		<b>\$ 57,360</b>	<b>\$ 20,680</b>	<b>\$ (36,680)</b>	<b>\$ 77,187</b>	<b>\$ 47,735</b>	<b>\$ (29,452)</b>

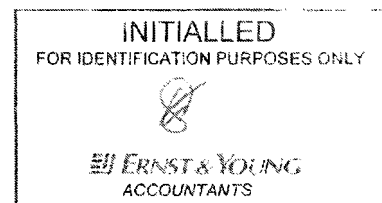
Other equity investments:

	% held	2007			2006		
		Value at		Appreciation (Depreciation)	Value at		Appreciation (Depreciation)
		Acquisition date	Fair Value		Acquisition date	Fair Value	
S Widjojo International	4.7	\$ 283,638	\$ 646,041	\$ 362,403	\$ 164,310	\$ -	\$ (164,310)
Oakenhall, Ltd.	23.8	\$ 46,730	\$ 46,252	\$ (478)	\$ 46,730	\$ 46,252	\$ (478)
Pelham House Ltd.	0	\$ 1,725	\$ 1,725		\$ 1,725	\$ 1,725	
Sonorex Oil and Gas Ltd	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Kalimantan Investment Corporation	10.5	\$ 418,498	\$ 722,697	\$ 304,199	\$ 418,498	\$ 387,281	\$ (31,217)
<b>Total</b>		<b>\$ 750,591</b>	<b>\$ 1,416,715</b>	<b>\$ 666,124</b>	<b>\$ 631,263</b>	<b>\$ 435,258</b>	<b>\$ (196,005)</b>
<b>Total Investments</b>		<b>\$ 807,951</b>	<b>\$ 1,437,395</b>	<b>\$ 629,444</b>	<b>\$ 708,450</b>	<b>\$ 482,993</b>	<b>\$ (225,457)</b>

The Foundation holds 1,217,275 options Environmental Solutions International Ltd (2006: 2,000,000) with an exercise price of AUD 0.01; the options are exercisable prior to 1 November 2008.

One million options are held on behalf of the World Subud Association Inc., and 217,275 (2006: 1,000,000) on behalf of Subud Australia Ltd.

The options are valued at share price per 31 December 2007 less the exercise price.



NOTE 4 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets as of December 31, 2007 and 2006, were as follows:

	2007		2006	
Subud Houses		167000	\$	235.000
Humanitarian	\$	24,517	\$	49.203
E.S.I. W.S.A/Oz	\$	121,727	\$	355.011
Canberra Centre	\$	16,342	\$	16.342
World Subud Ass. Inc. (BLF)	\$	21.679	\$	-
Various	\$	700	\$	600
Total	\$	351.965	\$	656.156

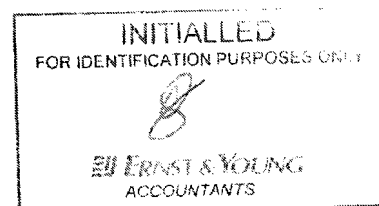
Permanently restricted net assets as of December 31, 2007 and 2006, were as follows:

	2007		2006	
Permanent Capital Fund:				
Farkas Endowment	\$	460.000	\$	460.000
Bapak Legacy Fund	\$	411,189	\$	342.789
Subud Australia Fund	\$	74,541	\$	75.000
Total	\$	945,730	\$	877,789

NOTE 5 Bapak Talks Fund

As the period for which the Bapak's Talks Fund was designated has expired, the balance of the fund (US\$ 50,000) was undesignated and returned to the General Fund.

In the past two years there has been no appeal for funds for the Talks project; nonetheless the Foundation remains committed to its completion.



NOTE 6 CAPITAL PRESERVATION FUND

In 1999 the Board of Trustees decided to designate the shares held by the Foundation in PT S.Widjojo and the Kalimantan Investment Corporation as having a special significance for the members of the parent organisation to the Capital Preservation Fund. The Board will add other assets to this fund as it may see fit from time to time.

NOTE 7 FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of:

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

As a normal course of business operations the Foundation will have funds on deposit in various correspondent financial institutions in excess of federal deposit insurance ceilings. The Foundation does not anticipate any loss as a result of this activity.

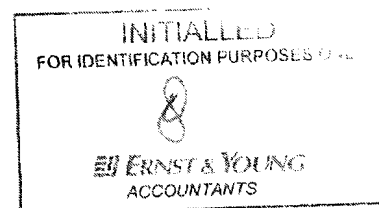
Concentration of Credit Risk Arising from Notes Receivable

The Foundation holds a non-interest bearing promissory note of IDR 507,650,000 from Yayasan Muhammad Subuh (YMS) in Jakarta, Indonesia, to secure its rights on certain properties in Cilandak, Jakarta.

The Foundation holds a non-interest bearing promissory note of NKR 2,910,200 from FloChem a/s and its owners in Norway (Balance per 31 December 2007 NKR 2,328,160). The note is to be paid in annual instalments of minimum 10 % per year. Instalments due within one year have been included under Accounts Receivable.

Concentration of Credit Risk Arising from Long-Term Investments

The Foundation's long-term investment portfolio consists principally of shares in two companies, both privately held. One of the privately held company's earnings are derived mostly from rental revenues from a single office building. There is no ready market for these shares. The value of the investment holdings are described in Note 3.



NOTE 8 DONATED SERVICES AND FACILITIES

In 2007 and 2006 professional services were contributed to the Foundation. There is no value for these donated services reflected in the accompanying financial statements since non-financial assets were not enhanced, specialized skills were not involved, and the services were not of a nature typically purchased by the Foundation. Nevertheless, a substantial number of trustees and officers have donated significant amounts of time in attempting to raise contributions and organize Foundation activities.

The use of operating facilities has been donated by the owners of such facilities. The estimated rental value of these facilities is not reflected in the accompanying financial statements since the use was intermittent and there was no objective basis available by which to measure the value of such facilities.

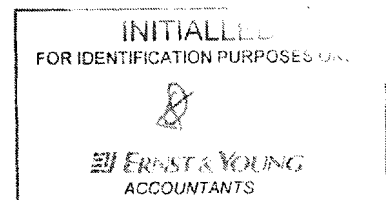
NOTE 9 REGULATORY REQUIREMENTS

Generally, charitable organizations with their principal offices in the State of Virginia and gross proceeds in excess of \$ 25,000 are required to register with the state and pay a small registration fee. However, in 2007 and 2006, no cash or property contributions were received from individuals or organizations domiciled in the State of Virginia, thereby exempting the Foundation from registering in the state of its principal office.

The Foundation's annual proceeds are generally in excess of \$ 25,000, and accordingly, annual information returns are required to be filed with the United States Internal Revenue Service.

NOTE 10 LOANS FROM TRUSTEES

In March 1996, six trustees lent the Foundation a total of \$ 51,100 to purchase shares in the newly formed Kalimantan Gold Corporation. The terms of these loans were payback on demand by the individual trustee, no interest, profits to the account of the Foundation, losses to the individual trustee. As of December 31, 2007, the value of the balance of \$ 24,800 (2006: \$ 24,900) notes payable to trustees was \$ 10,036 (2006: \$ 11,027) because of decreases in the stock's price. It is anticipated that the lenders will not call these loans until the share price increases.



NOTE 11 EURO LOAN

In 1999 the Foundation received an interest free loan of Euro 68,000. The loan is under certain conditions (hardship clause) recallable by the lender; on decease of the lender the loan falls to the Foundation. Any revenues on the amount lent are revenues of the Foundation.

NOTE 12 NOTES RECEIVABLE - SUBUD ORGANIZATIONS

Organization	Amount Outstanding		Terms
	12/31/2007	12/31/2006	
Subud Portugal	\$ -	\$ 20.000	Zero percent; to be converted into grant in 2007 (conditionally).
Subud Sao Paulo	\$ 13.000	\$ 14.000	Zero percent; annual payments of \$ 1.000; repayment to start December 1, 2005.
Subud Italy	\$ 2.668	\$ 3.657	Zero percent; semi-annual payments \$ 500; repayment to start December 2001
Subud Malaysia	\$ 5.151	\$ 5.151	Zero percent; semi-annual payments \$ 500 over 15 years; repayment started July 1997
Subud Mexico (1)	\$ 3.500	\$ 3.800	Zero percent; annual payments of \$ 400 over 15 years; repayment started January 1998
Subud Mexico (2)	\$ 3.600	\$ 3.600	Zero percent; 14 annual payments of \$ 300, final payment \$ 800, starting from April 1, 1999
Subud Ukraine	\$ -	\$ 15.000	Zero percent; annual payments of \$ 1.000 over 16 years, started March 1998; in arrears
Subud Colombia	\$ 5.545	\$ 5.545	Zero percent; annual payments of \$ 700 over 10 years; repayment to start April 1, 2000.
	\$ 33.464	\$ 70.753	
Allowance for uncollectable debts	\$ (5.545)	\$ (20.545)	
Total	\$ 27.919	\$ 50.208	

Repayment of the loan to Subud Colombia is heavily in arrears, and in view of the harsh economic circumstances in that country there is serious doubt about the possibility to collect this loans at any foreseeable time. Management therefore has decided to create an allowance for incollectable debts for the balance of US\$ 5,545 of the loan.

