

CAROLINA FOR KIBERA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2011

CAROLINA FOR KIBERA, INC.

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ROBERSON CPA FIRM, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carolina For Kibera, Inc.

We have audited the accompanying statement of financial position of Carolina for Kibera, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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, the financial statements referred to above present fairly, in all material respects, the financial position of Carolina for Kibera, Inc. as of June 30, 2011, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Roberson CPA Firm, PLLC

Durham, North Carolina
December 13, 2011

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2011

	<u>2011</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,464,939
Grants receivable	<u>73,000</u>
TOTAL CURRENT ASSETS	1,537,939
INVESTMENTS	1,036,542
FIXED ASSETS, net	<u>7,621</u>
	<u>\$ 2,582,102</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 250
NET ASSETS	
Unrestricted	984,516
Temporarily restricted	512,143
Permanently restricted	<u>1,085,193</u>
	<u>2,581,852</u>
	<u>\$ 2,582,102</u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions income	\$ 653,447	\$ 228,751	\$ 37,643	\$ 919,841
Donated services	26,621	-	-	26,621
Interest income	10,120	-	-	10,120
Investment return	48,942	-	-	48,942
Unrealized gain on endowment	93,947	-	-	93,947
Net assets released from restrictions	648,724	(648,724)	-	-
	<u>1,481,801</u>	<u>(419,973)</u>	<u>37,643</u>	<u>1,099,471</u>
EXPENSES				
Program services	886,541	-	-	886,541
Supporting services				
Management and general	41,024	-	-	41,024
Fund-raising	15,409	-	-	15,409
	<u>942,974</u>	<u>-</u>	<u>-</u>	<u>942,974</u>
CHANGE IN NET ASSETS	538,827	(419,973)	37,643	156,497
NET ASSETS - beginning of year	<u>445,689</u>	<u>932,116</u>	<u>1,047,550</u>	<u>2,425,355</u>
NET ASSETS - end of year	<u>\$ 984,516</u>	<u>\$ 512,143</u>	<u>\$ 1,085,193</u>	<u>\$ 2,581,852</u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Supporting Services			Total Expenses
	Program Services	Management and General	Fund-raising	
Salaries and related expenses				
Salaries	\$ 59,561	\$ 4,700	\$ 4,700	\$ 68,961
Benefits	8,779	1,088	1,088	10,955
Payroll taxes	4,057	351	351	4,759
TOTAL SALARIES AND RELATED EXPENSES	72,397	6,139	6,139	84,675
Accounting fees	-	9,175	-	9,175
Bank fees	12	-	-	12
Conferences and meetings	7,390	9,568	153	17,111
Documentary	34,023	-	-	34,023
Grants	703,531	-	-	703,531
Insurance	588	-	-	588
Investment fees	3,373	-	-	3,373
Legal fees	-	10,193	-	10,193
Licenses	-	-	200	200
Miscellaneous	2,462	593	581	3,636
Office supplies	2,019	1,276	98	3,393
Outside contract services	2,100	1,000	1,000	4,100
Payroll fees	117	10	10	137
Postage and shipping	4,632	712	712	6,056
Printing	12,284	1,515	5,646	19,445
Rent, parking and utilities	745	-	-	745
Student fellowships	8,197	-	-	8,197
Telephone and internet	1,071	97	49	1,217
Travel	26,134	26	76	26,236
Website redesign	4,278	720	745	5,743
	812,956	34,885	9,270	857,111
TOTAL EXPENSES BEFORE DEPRECIATION	885,353	41,024	15,409	941,786
Depreciation	1,188	-	-	1,188
	\$ 886,541	\$ 41,024	\$ 15,409	\$ 942,974

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 156,497
Adjustments to reconcile increase in net assets to net cash provided for operating activities:	
Depreciation	1,188
Unrealized gain on endowment	(93,947)
(Increase) decrease in:	
Grant receivable	(73,000)
Increase (decrease) in:	
Account payable	<u>250</u>
NET CASH USED BY OPERATING ACTIVITIES	(9,012)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of marketable securities	(38,069)
Endowment payment received	53,685
Reinvested earnings on endowment	(45,569)
Purchase of property and equipment	<u>(6,995)</u>
NET CASH USED BY INVESTING ACTIVITIES	(36,948)
NET DECREASE IN CASH	(45,960)
CASH - beginning of year	<u>1,510,899</u>
CASH - end of year	<u><u>\$ 1,464,939</u></u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Carolina for Kibera, Inc. is a nonprofit corporation organized under the laws of the State of North Carolina on April 23, 2001. The Organization's purpose is to serve as a granting organization to CFK-Kenya, a non-governmental organization in Kenya. CFK-Kenya promotes youth leadership and ethnic and gender cooperation in Kibera, a slum area in Nairobi, through youth sports, young women's empowerment, and community development. The Organization also works to improve basic healthcare, sanitation, and education in Kibera. The Organization is supported through public contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles; consequently, revenues are recognized when earned and expenses are recognized when incurred.

Investments

The Organization is required by FASB ASC 958-302 "Accounting for Certain Investments Held by Not-for Profit Organizations" to report marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and loss are included in the change in net assets.

The fair values of long-term investments are based on quoted market prices for those or similar investments. Investments are held and managed by the University of North Carolina at Chapel Hill.

Estimates

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

Income Taxes

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities that are not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash and cash equivalents include cash and highly liquid short-term investments, with an original maturity of three months or less.

Contributions

In accordance with FASB ASC 958-605, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are 5-10 years for equipment, vehicles and furniture.

Net Assets

The Organization reports its net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. The Organization reports 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.

Functional Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization adopted the provisions of FASB ASC 820-10, “Fair Value Measurements and Disclosures (formerly SFAS 157), for fair value measurements. FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB ASC 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: One or more significant inputs or significant value drivers are unobservable or based on market assumptions.

The Organization uses only Level 1 inputs in its fair value measurement.

Subsequent Events

Subsequent events have been evaluated through December 13, 2011, the date of the issuance of the Organization's financial statements.

NOTE B – CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances at financial institutions located in Chapel Hill, North Carolina. Interest bearing accounts at two of these financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000 and non-interest bearing accounts are insured regardless of the account balance. At June 30, 2011, the Organizations uninsured cash balances total \$1,177,753. The organization has not experienced any losses with these accounts.

NOTE C – RELATED ENTITIES

The Organization is affiliated with the University of North Carolina at Chapel Hill. Under the agreement the University will provide staffing assistance, office space, investment management services and daily accounting services at no charge. Carolina for Kibera, Inc. must maintain its state nonprofit and tax exempt status, conduct activities that are in line with the mission of the University and follow the University’s accounting policies which include having an annual audit performed.

CAROLINA FOR KIBERA, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE D – FIXED ASSETS

Fixed assets at June 30, 2011 consisted of the following:

Equipment	\$ 9,155
Less accumulated depreciation	<u>(1,534)</u>
	<u>\$ 7,621</u>

Depreciation expense was \$1,188 for the year ending June 30, 2011.

NOTE E – INVESTMENTS

Investments are carried on the books at fair value as follows:

<u>June 30, 2011</u>	<u>Cost</u>	<u>Market</u>	<u>Carrying Value</u>
Pooled endowment fund	\$ 1,175,381	\$ 1,036,542	\$ 1,036,542

NOTE F – ENDOWMENT ACCOUNT

Donor-designated Endowments (UPMIFA state)

The Organization's endowment consists of a pooled endowment account established for specific purposes as restricted by the donor. Its endowment balance includes only donor-restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets, associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Carolina for Kibera, Inc. requires donor-restricted endowment funds to include the original value of gifts donated to the endowment account that are restricted by the donor. They consider earnings on the endowment account to be temporarily restricted until they have access to the funds and the Board of Directors elects to use the funds for unrestricted purposes.

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance

NOTE F – ENDOWMENT ACCOUNT (Continued)

with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has elected to participate in the endowment account that is organized and operated for the University of North Carolina at Chapel Hill. By electing to participate in the University's endowment account, Carolina For Kibera, Inc. has agreed to follow the investment policies and procedures that are set forth by The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. Carolina for Kibera, Inc. agrees that the endowment fund will be operated as one commingled fund. The Board of Directors of Carolina for Kibera, Inc. requires donor-restricted endowment funds to include the original value of gifts donated to the endowment account that are restricted by the donor. They consider earnings on the endowment account to be temporarily restricted until they have access to the funds and the Board of Directors elects to use the funds for unrestricted purposes.

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets over the long-term. Based on the asset allocation policy of the Fund, there are two long-term investment objectives: (1) to earn an average annual rate of return of at least 5.5% per year, net of all fees, over rolling five and ten year periods and (2) to earn a rate of return, net of all fees, in excess of 70% S&P 500 Index and 30% Lehman Brothers Government/Corporate Bond Index benchmark over rolling five and ten year periods.

Spending Policies

Each year, the organization may take a distribution of at least 4% to a maximum distribution of 7% of the Fund's estimated market value at the Fund's fiscal year end. The investment return on the endowment account is treated as temporarily restricted income until the payout from the endowment account is received at the end of the Fund's fiscal year. At the time of the payout the funds are considered released from restriction.

CAROLINA FOR KIBERA, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE F – ENDOWMENT ACCOUNT (Continued)

Endowment Net Asset Composition by Fund Type as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Total
Endowment net assets, beginning of period	\$ (134,907)	\$ -	\$ 1,047,550	\$ 912,643
Contributions	424	-	37,643	38,067
Realized gain	48,942	-	-	48,942
Investment fees	(3,372)	-	-	(3,372)
Unrealized gain	93,947	-	-	93,947
Payout	(53,685)	-	-	(53,685)
Endowment net assets, end of period	<u>\$ (48,651)</u>	<u>\$ -</u>	<u>\$ 1,085,193</u>	<u>\$ 1,036,542</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor required the Organization to maintain as a fund of perpetual duration. As of June 30, 2011 the fund was deficient by \$(138,840). This deficiency resulted from unfavorable market fluctuations.

NOTE G – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by grant agreements or individual donors at the time the donation is made and are available for general programming purposes in the amount of \$512,143 as of June 30, 2011.

Permanently restricted net assets consist of donor restricted funds that are to be held indefinitely, the earnings on the donor restricted funds are expendable for general operating purposes in the future. Permanently restricted net assets are available for the Endowment account in the amount of \$1,085,193 as of June 30, 2011.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE H – DONATED MATERIALS AND SERVICES

For the year ending June 30, 2011 donated services were recognized and recorded by the Organization as contributions in the amount of \$10,193. In accordance with FASB ASC Topic 958-605, the donated services for legal fees were performed by professionals with skills that otherwise would have been purchased by the Organization.

The Organization has received approximately 680 volunteer hours for the year ending June 30, 2011. No amounts have been reflected in the financial statements for these hours where no objective basis is available to measure the value of such services.

NOTE I – SUBSEQUENT EVENTS

Investment account statements are prepared and provided to Carolina For Kibera, Inc. at the end of each month for the previous months closing balance. As of October 31, 2011, the latest period reported on, the fair market value of the endowment account is \$1,005,423. There has been a decrease of \$31,119 in fair market value for the endowment account since June 30, 2011.