

CAROLINA FOR KIBERA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2012

CAROLINA FOR KIBERA, INC.

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ROBERSON CPA FIRM, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2012, 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, 2012, 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 12, 2012

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2012

	<u>2012</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,465,106
INVESTMENTS	1,128,392
FIXED ASSETS, net	<u>5,412</u>
	<u>\$ 2,598,910</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 78,152
NET ASSETS	
Unrestricted	1,278,234
Temporarily restricted	141,871
Permanently restricted	<u>1,100,653</u>
	<u>2,520,758</u>
	<u>\$ 2,598,910</u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions income	\$ 616,177	\$ 39,522	\$ 15,460	\$ 671,159
10th anniversary campaign	26,000	-	-	26,000
Donated services	27,068	-	-	27,068
Interest income	6,362	-	-	6,362
Investment return	47,227	-	-	47,227
Loss on disposal of assets	(593)	-	-	(593)
Unrealized gain on endowment	(20,665)	-	-	(20,665)
Net assets released from restrictions	409,794	(409,794)	-	-
	<u>1,111,370</u>	<u>(370,272)</u>	<u>15,460</u>	<u>756,558</u>
EXPENSES				
Program services	757,803	-	-	757,803
Supporting services				
Management and general	46,707	-	-	46,707
Fund-raising	20,923	-	-	20,923
	<u>825,433</u>	<u>-</u>	<u>-</u>	<u>825,433</u>
CHANGE IN NET ASSETS	285,937	(370,272)	15,460	(68,875)
PRIOR PERIOD ADJUSTMENT	7,782	-	-	7,782
NET ASSETS - beginning of year	<u>984,515</u>	<u>512,143</u>	<u>1,085,193</u>	<u>2,581,851</u>
NET ASSETS - end of year	<u>\$ 1,278,234</u>	<u>\$ 141,871</u>	<u>\$ 1,100,653</u>	<u>\$ 2,520,758</u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund- raising	
Salaries and related expenses				
Salaries	\$ 52,973	\$ 4,640	\$ 4,700	\$ 62,313
Benefits	8,610	1,076	1,076	10,762
Payroll taxes	3,971	350	350	4,671
TOTAL SALARIES AND RELATED EXPENSES	65,554	6,066	6,126	77,746
Accounting fees	-	10,398	-	10,398
Annual report	2,255	-	5,995	8,250
Bank fees	-	2,081	-	2,081
Book and film expenses	-	-	4,850	4,850
Computer expenses	1,203	118	-	1,321
Conferences and meetings	191	163	-	354
Documentary	32,468	-	2,814	35,282
Food	128	971	-	1,099
Grants	620,478	-	-	620,478
Insurance	767	-	-	767
Investment fees	3,857	-	-	3,857
Legal fees	-	23,259	-	23,259
Licenses	-	200	-	200
Miscellaneous	905	303	106	1,314
Office supplies	7,409	985	-	8,394
Outside contract services	3,120	-	-	3,120
Payroll fees	293	37	37	367
Postage and shipping	2,093	682	682	3,457
Printing	1,046	458	-	1,504
Professional development	1,231	-	-	1,231
Rent, parking and utilities	705	710	-	1,415
Student fellowships	2,900	-	-	2,900
Telephone and internet	655	187	94	936
Travel	4,227	54	219	4,500
Website redesign	4,436	35	-	4,471
	<u>690,367</u>	<u>40,641</u>	<u>14,797</u>	<u>745,805</u>
TOTAL EXPENSES BEFORE DEPRECIATION	755,921	46,707	20,923	823,551
Depreciation	1,882	-	-	1,882
	<u>\$ 757,803</u>	<u>\$ 46,707</u>	<u>\$ 20,923</u>	<u>\$ 825,433</u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (68,875)
Adjustments to reconcile increase in net assets to net cash provided for operating activities:	
Depreciation	1,882
Book value of assets retired	593
Unrealized gain on endowment	20,665
(Increase) decrease in:	
Grant receivable	73,000
Prior period adjustment	7,782
Increase (decrease) in:	
Account payable	<u>77,901</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	112,948
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of marketable securities	(69,145)
Reinvested earnings on endowment	(43,370)
Purchase of property and equipment	<u>(266)</u>
NET CASH USED BY INVESTING ACTIVITIES	(112,781)
NET INCREASE IN CASH	167
CASH - beginning of year	<u>1,464,939</u>
CASH - end of year	<u>\$ 1,465,106</u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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).

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 12, 2012, 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, 2012, the Organizations uninsured cash balances total \$1,078,973. 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, 2012

NOTE D – FIXED ASSETS

Fixed assets at June 30, 2012 consisted of the following:

Equipment	\$ 8,695
Less accumulated depreciation	<u>(3,283)</u>
	<u>\$ 5,412</u>

Depreciation expense was \$1,882 for the year ending June 30, 2012.

NOTE E – INVESTMENTS

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

	<u>Cost</u>	<u>Market</u>	<u>Carrying Value</u>
Pooled endowment fund	\$ 1,302,964	\$ 1,128,392	\$ 1,128,392

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

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

NOTE F – ENDOWMENT ACCOUNT (Continued)

Endowment Net Asset Composition by Fund Type as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Total
Donor-restricted endowment funds	\$ (96,858)	\$ -	\$ 1,100,653	\$ 1,003,795
Board-designated endowment funds	<u>124,597</u>	<u>-</u>	<u>-</u>	<u>124,597</u>
Endowment net assets, end of period	<u>\$ 27,739</u>	<u>\$ -</u>	<u>\$ 1,100,653</u>	<u>\$ 1,128,392</u>

Changes in endowment net assets as of June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Total
Endowment net assets, beginning of period	\$ (48,651)	\$ -	\$ 1,085,193	\$ 1,036,542
Contributions	53,685	-	15,460	69,145
Realized gain	47,227	-	-	47,227
Investment fees	(3,857)	-	-	(3,857)
Unrealized loss	<u>(20,665)</u>	<u>-</u>	<u>-</u>	<u>(20,665)</u>
Endowment net assets, end of period	<u>\$ 27,739</u>	<u>\$ -</u>	<u>\$ 1,100,653</u>	<u>\$ 1,128,392</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, 2012 the fund was deficient by \$(174,573). This deficiency resulted from unfavorable market fluctuations.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 \$141,871 as of June 30, 2012.

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 \$1,100,653 as of June 30, 2012.

NOTE H - PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of previously reported cash were discovered during the current year. Accordingly, an adjustment of \$7,782 has been made during the fiscal year ended June 30, 2012 to decrease cash as of the beginning of the year. A corresponding entry was made to decrease previously reported unrestricted net assets.

NOTE I – DONATED MATERIALS AND SERVICES

For the year ending June 30, 2012 donated services were recognized and recorded by the Organization as contributions in the amount of \$18,316. 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 1,087 volunteer hours for the year ending June 30, 2012. 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.