

CAROLINA FOR KIBERA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2007

COPY

CAROLINA FOR KIBERA, INC.

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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 December 31, 2007, 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 December 31, 2007, 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.

Durham, North Carolina
March 4, 2009

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2007

| | <u>2007</u> |
|----------------------------|---------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash | \$ 537,201 |
| MARKETABLE SECURITIES | 799,170 |
| FIXED ASSETS, net | <u>2,692</u> |
| | <u>\$ 1,339,063</u> |
| LIABILITIES AND NET ASSETS | |
| NET ASSETS | |
| Unrestricted | \$ 286,920 |
| Temporarily restricted | 202,973 |
| Permanently restricted | <u>849,170</u> |
| | <u>\$ 1,339,063</u> |

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See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2007 Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Contributions income | \$ 321,750 | \$ 202,973 | \$ 834,091 | \$ 1,358,814 |
| Donated services | 39,660 | | | 39,660 |
| Interest income | 5,261 | | 997 | 6,258 |
| Unrealized gain on Endowment | | | 14,082 | 14,082 |
| Net assets released from restrictions | 50,449 | (50,449) | - | - |
| | <u>417,120</u> | <u>152,524</u> | <u>849,170</u> | <u>1,418,814</u> |
| EXPENSES | | | | |
| Program services | 333,651 | - | - | 333,651 |
| Supporting services | | | | |
| Management and general | 61,945 | - | - | 61,945 |
| Fund-raising | 51,573 | - | - | 51,573 |
| | <u>447,169</u> | <u>-</u> | <u>-</u> | <u>447,169</u> |
| CHANGE IN NET ASSETS | (30,049) | 152,524 | 849,170 | 971,645 |
| PRIOR PERIOD ADJUSTMENT | 52,720 | - | - | 52,720 |
| NET ASSETS - beginning of year | <u>264,249</u> | <u>50,449</u> | <u>-</u> | <u>314,698</u> |
| NET ASSETS - end of year | <u>\$ 286,920</u> | <u>\$ 202,973</u> | <u>\$ 849,170</u> | <u>\$ 1,339,063</u> |

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended December 31, 2007

| | <u>Supporting Services</u> | | | <u>Total Expenses</u> |
|--|----------------------------|-------------------------------|---------------------|-----------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fund-raising</u> | |
| Salaries and related expenses | | | | |
| Salaries | | | | |
| Salaries and benefits | \$ 7,882 | \$ 7,882 | \$ 15,765 | \$ 31,529 |
| Payroll taxes | 600 | 600 | 1,200 | 2,400 |
| TOTAL SALARIES AND RELATED EXPENSES | 8,482 | 8,482 | 16,965 | 33,929 |
| Accounting fees | - | 2,210 | - | 2,210 |
| Bank fees | - | 1,611 | - | 1,611 |
| Conferences and meetings | - | 182 | - | 182 |
| Fellowship | 4,000 | - | - | 4,000 |
| Fundraising expense | - | - | 14,881 | 14,881 |
| Fundraising - postage | - | - | 106 | 106 |
| Fundraising - printing | - | - | 1,073 | 1,073 |
| Fundraising - travel | - | - | 1,197 | 1,197 |
| Grants | 300,696 | - | - | 300,696 |
| Insurance | 565 | - | - | 565 |
| Legal Fees | - | 39,660 | - | 39,660 |
| Licenses | 350 | - | - | 350 |
| Office supplies | - | 4,444 | - | 4,444 |
| Postage and shipping | 1,706 | 1,706 | 5,118 | 8,530 |
| Printing | - | 1,891 | 7,562 | 9,453 |
| Taxes | 236 | 237 | 473 | 946 |
| Telephone and internet | 637 | 637 | 656 | 1,930 |
| Travel | 4,427 | 885 | 3,542 | 8,854 |
| Travel - program expense | 3,662 | - | - | 3,662 |
| Tuition | 8,000 | - | - | 8,000 |
| | <u>324,279</u> | <u>53,463</u> | <u>34,608</u> | <u>412,350</u> |
| TOTAL EXPENSES BEFORE DEPRECIATION | 332,761 | 61,945 | 51,573 | 446,279 |
| Depreciation | 890 | - | - | 890 |
| | <u>\$ 333,651</u> | <u>\$ 61,945</u> | <u>\$ 51,573</u> | <u>\$ 447,169</u> |

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.
 STATEMENT OF CASH FLOWS
 Year Ended December 31, 2007

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in net assets | \$ 971,645 |
| Adjustments to reconcile increase in net assets to net cash provided for operating activities: | |
| Depreciation | 890 |
| Unrealized gain on investments | (14,082) |
| Prior period adjustment | <u>52,720</u> |
| NET CASH PROVIDED FOR OPERATING ACTIVITIES | 1,011,173 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of marketable securities | (784,091) |
| Interest earned on marketable securities | <u>(997)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | (785,088) |
| NET INCREASE IN CASH | 226,085 |
| CASH - beginning of year | <u>311,116</u> |
| CASH - end of year | <u><u>\$ 537,201</u></u> |

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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 SFAS No. 124 "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
December 31, 2007

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 Statement of Financial Accounting Standards (SFAS) No. 116, *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 Revenues, Expenses and Changes in Net Assets 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
 December 31, 2007

NOTE B – FINANCIAL INSTRUMENTS

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

The Organization maintains its cash balances in one financial institution located in Chapel Hill, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Organizations uninsured cash balances total \$416,728.

NOTE C – MARKETABLE SECURITIES

Marketable securities are carried on the books at fair value as follows:

December 31, 2007

| | <u>Cost</u> | <u>Market</u> | <u>Carrying Value</u> |
|-------------------|-------------|---------------|-----------------------|
| Equity securities | \$ 785,088 | \$ 799,170 | \$ 799,170 |

The following is a summary of the returns for investments reported at fair value:

December 31, 2007

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-----------------------|---------------------|-------------------------------|------------------|
| Interest | \$ - | \$ 997 | \$ 997 |
| Unrealized gain | - | 14,082 | 14,082 |
| Total investment gain | <u>\$ -</u> | <u>\$ 15,079</u> | <u>\$ 15,079</u> |

NOTE D – FIXED ASSETS

Fixed assets at December 31, 2007 consisted of the following:

| | |
|-------------------------------|-----------------|
| Equipment | \$ 4,451 |
| Less accumulated depreciation | <u>1,759</u> |
| | <u>\$ 2,692</u> |

Depreciation expense was \$890 for the year ending December 31, 2007.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE E – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the Tabitha Clinic in the amount of \$202,973 as of December 31, 2007.

Permanently restricted net assets are available for the Endowment account in the amount of \$849,170 as of December 31, 2007.

NOTE F – DONATED SERVICES

For the year ending December 31, 2007 donated services were recognized and recorded by the Organization as contributions in the amount of \$39,660. In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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 130 volunteer hours for the year ending December 31, 2007. 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 G – 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.

NOTE H – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an understatement of previously reported cash were discovered during the current year. Accordingly, an adjustment of \$52,720 has been made during 2008 to increase cash as of the beginning of the year. A corresponding entry was made to increase previously reported net assets. The effect of the restatement on net assets for 2006 is not determinable.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE I – SUBSEQUENT EVENTS

As of January 31, 2009, the fair market value of the Organization's equity investments has increased \$22,288.

As of November 17, 2008, the Organization was awarded a general operating grant in the amount of \$1,000,000 from the Global Development Program of the Bill & Melinda Gates Foundation. The first disbursement of \$492,739 will be within 15 days once the agreement has been signed. The second disbursement of \$507,261 is expected to be received in February 2010.

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