

---

CAROLINA FOR KIBERA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2008

CAROLINA FOR KIBERA, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



**WILLIAM F. ROBERSON, CPA, 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 December 31, 2008, 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, 2008, 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.

*William F. Roberson, CPA, PLLC*

Durham, North Carolina  
September 17, 2009

CAROLINA FOR KIBERA, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2008

	<u>2008</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,038,937
MARKETABLE SECURITIES	766,616
FIXED ASSETS, net	<u>1,802</u>
	<u>\$ 1,807,355</u>
LIABILITIES AND NET ASSETS	
NET ASSETS	
Unrestricted	\$ 308,826
Temporarily restricted	559,173
Permanently restricted	<u>939,356</u>
	<u>\$ 1,807,355</u>

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions income	\$ 308,891	\$ 542,914	\$ 155,265	1,007,070
Donated services	34,825			34,825
Interest income	8,112			8,112
Unrealized loss on Endowment	(188,002)			(188,002)
Investment return		21,967		21,967
Net assets released from restrictions	223,760	(223,760)	-	-
	387,586	341,121	155,265	883,972
<b>EXPENSES</b>				
Program services	378,657	-		378,657
Supporting services				
Management and general	38,258	-	-	38,258
Fund-raising	40,752	-	-	40,752
	457,667	-	-	457,667
<b>CHANGE IN NET ASSETS</b>	(70,081)	341,121	155,265	426,305
<b>PRIOR PERIOD ADJUSTMENT</b>	91,987	15,079	(65,079)	41,987
<b>NET ASSETS - beginning of year</b>	286,920	202,973	849,170	1,339,063
<b>NET ASSETS - end of year</b>	<u>\$ 308,826</u>	<u>\$ 559,173</u>	<u>\$ 939,356</u>	<u>\$ 1,807,355</u>

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2008

	Supporting Services			Total Expenses
	Program Services	Management and General	Fund-raising	
Salaries and related expenses				
Salaries				
Salaries and benefits	\$ 5,448	\$ 5,448	\$ 10,897	\$ 21,793
Payroll taxes	451	451	903	1,805
TOTAL SALARIES AND RELATED EXPENSES	5,899	5,899	11,800	23,598
Bank fees	-	2,047	-	2,047
Conferences and meetings	-	1,056	-	1,056
Fundraising expense	-	-	9,543	9,543
Fundraising - printing	-	-	898	898
Fundraising - travel	-	-	1,733	1,733
Gifts and awards	-	-	-	-
Life insurance	-	-	-	-
Grants	335,339	-	-	335,339
Short Term insurance	-	-	-	-
Licenses and permits	-	-	-	-
Insurance	1,160	-	-	1,160
Legal Fees	17,413	17,412	-	34,825
Licenses	50	-	-	50
Office supplies	-	6,820	-	6,820
Postage and shipping	1,460	1,460	4,380	7,300
Printing	-	2,163	8,654	10,817
Taxes	246	246	493	985
Telephone and internet	439	452	439	1,330
Travel	3,516	703	2,812	7,031
Travel - program expense	5,845	-	-	5,845
Tuition	6,400	-	-	6,400
	<u>371,868</u>	<u>32,359</u>	<u>28,952</u>	<u>433,179</u>
TOTAL EXPENSES BEFORE DEPRECIATION	377,767	38,258	40,752	456,777
Depreciation	890	-	-	890
	<u>\$ 378,657</u>	<u>\$ 38,258</u>	<u>\$ 40,752</u>	<u>\$ 457,667</u>

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 426,305
Adjustments to reconcile increase in net assets to net cash provided for operating activities:	
Depreciation	890
Unrealized loss on investments	188,002
Prior period adjustment	<u>41,987</u>
NET CASH PROVIDED FOR OPERATING ACTIVITIES	657,184
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of marketable securities	(154,269)
Endowment payment received	20,787
Reinvested earnings on endowment	<u>(21,967)</u>
NET CASH USED BY INVESTING ACTIVITIES	(155,449)
NET INCREASE IN CASH	501,735
CASH - beginning of year	<u>537,201</u>
CASH - end of year	<u><u>\$ 1,038,936</u></u>

See accompanying notes and accountants' report.

CAROLINA FOR KIBERA, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

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, 2008

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 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  
 December 31, 2008

NOTE B – FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

The Organization maintains its cash balances at financial institutions located in Chapel Hill, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each location. At December 31, 2008, the Organizations uninsured cash balances total \$513,632.

NOTE C – FIXED ASSETS

Fixed assets at December 31, 2008 consisted of the following:

Equipment	\$ 4,451
Less accumulated depreciation	<u>(2,649)</u>
	<u>\$ 1,802</u>

Depreciation expense was \$890 for the year ending December 31, 2008.

NOTE D – MARKETABLE SECURITIES

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

<u>December 31, 2008</u>	<u>Cost</u>	<u>Market</u>	<u>Carrying Value</u>
Equity securities	\$ 939,356	\$ 766,616	\$ 766,616

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

<u>December 31, 2008</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest	\$ 3,518	\$ -	\$ 3,518
Unrealized loss	-	(188,002)	(188,002)
Realized gain		<u>21,967</u>	<u>21,967</u>
Total investment loss	<u>\$ 3,518</u>	<u>\$ (166,035)</u>	<u>\$ (162,517)</u>

Investment expenses incurred for the year ended December 31, 2008 were \$496.

CAROLINA FOR KIBERA, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

NOTE E – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by grant agreements and are available for general programming purposes in the amount of \$559,173 as of December 31, 2008.

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 \$939,356 as of December 31, 2008.

NOTE F – ENDOWMENT ACCOUNT

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 Kieran, Inc. has agreed to follow the investment policies and procedures that are set forth by the University. Carolina for Kibera, Inc. agrees that the endowment fund will be operated as one commingled fund. The board has also agreed to give the board of directors of the investment fund complete discretion and control over their investment. The endowment account operates like an open-end mutual fund and uses a unit value to allocate the organizations pro rata share of the net assets of the fund. Based on the asset allocation policy of the Fund, the long-term expected rate of return is approximately 5.5%. Each year, the organization is required to 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. The fund reports historical costs, additions, withdrawals, reinvestments, and market value to the organization on a monthly basis and reports their income and distribution allocation on an annual basis which follows the Fund's fiscal year. Carolina for Kibera, Inc. can terminate the agreement at any time and withdraw the current value of their unit share in the net asset balance of the endowment account.

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.

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.

CAROLINA FOR KIBERA, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

NOTE H – DONATED SERVICES

For the year ending December 31, 2008 donated services were recognized and recorded by the Organization as contributions in the amount of \$34,825. 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. Legal services performed included preparation of the annual board meeting and assisting with the "tipping" analysis for a grant application.

The Organization has received approximately 120 volunteer hours for the year ending December 31, 2008. 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 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an understatement of previously reported cash were discovered during the current year. Accordingly, an adjustment of \$38,032 and an adjustment of \$3,955 were made during 2008 to increase cash as of the beginning of the year. A corresponding entry was made to increase previously reported net assets. Additional errors resulting in an overstatement of permanently restricted net assets were discovered during the current year. Accordingly, an adjustment of \$50,000 and an adjustment of \$15,079 were made during 2008 to adjust the beginning net asset balances. Corresponding entries were made to increase unrestricted net assets and temporarily restricted net assets, respectively. The effect of the restatement on net assets for 2007 is not determinable.

NOTE J – SUBSEQUENT EVENTS

Carolina for Kibera, Inc. has elected to change their year end from a calendar to a fiscal year end of June 30. The election will be effective for all future years.