

**A GLIMMER OF HOPE FOUNDATION**

Financial Statements  
December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

**A GLIMMER OF HOPE FOUNDATION**

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December 31, 2009 and 2008

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## Independent Auditors' Report

To the Board of Directors  
A Glimmer of Hope Foundation:

We have audited the accompanying statements of financial position of A Glimmer of Hope Foundation (the Foundation) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

Accounting principles generally accepted in the United States of America require the related entities of not-for-profit organizations to be consolidated where both control and economic interests exist. As discussed in Note 1, management has not consolidated entities that meet the definition of affiliated entities as set forth under accounting principles generally accepted in the United States of America, and, therefore, the financial statements referred to above are not intended to be a complete presentation of the consolidated financial position, results of operations, and cash flows of A Glimmer of Hope Foundation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of not consolidating the affiliated entities discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of A Glimmer of Hope Foundation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As noted in Note 2 to the financial statements, the Foundation restated the statement of financial position as of December 31, 2008 and the related statements of activities and cash flows for the year then ended for changes made to related party payables and program expenses.

**PMB HELIN DONOVAN, LLP**

*PMB Helin Donovan, LLP*

Austin, Texas  
December 10, 2010

**A GLIMMER OF HOPE FOUNDATION**

Statements of Financial Position

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		<b>(As Restated)</b>
Cash and cash equivalents	\$ 2,945,543	\$ 5,245,273
Investments, at fair value	44,237,015	40,491,303
Prepaid expenses and other assets	459,024	39,212
Fixed assets, net	38,326	4,471
Total assets	<u>\$ 47,679,908</u>	<u>\$ 45,780,259</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 100,678	\$ 47,200
Related party payables	3,348,588	1,795,946
Total liabilities	<u>3,449,266</u>	<u>1,843,146</u>
Net assets:		
Unrestricted	41,671,694	42,193,634
Temporarily restricted	2,558,948	1,743,479
Permanently restricted	-	-
Total net assets	<u>44,230,642</u>	<u>43,937,113</u>
 Total liabilities and net assets	<u>\$ 47,679,908</u>	<u>\$ 45,780,259</u>

See accompanying notes to financial statements.

**A GLIMMER OF HOPE FOUNDATION**  
Statement of Activities  
Year Ended December 31, 2008 (As Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and losses</b>				
Contributions	\$ 1,241,780	\$ 3,014,393	\$ -	\$ 4,256,173
Investment losses	(11,733,050)	-	-	(11,733,050)
Net assets released from restriction	2,593,323	(2,593,323)	-	-
Total support and losses	<u>(7,897,947)</u>	<u>421,070</u>	<u>-</u>	<u>(7,476,877)</u>
<b>Expenses</b>				
Program services	11,674,808	-	-	11,674,808
General and administrative	1,404,395	-	-	1,404,395
Total expenses	<u>13,079,203</u>	<u>-</u>	<u>-</u>	<u>13,079,203</u>
Change in net assets	(20,977,150)	421,070	-	(20,556,080)
Net assets at beginning of year	63,170,784	1,322,409	-	64,493,193
Net assets at end of year	<u>\$ 42,193,634</u>	<u>\$ 1,743,479</u>	<u>\$ -</u>	<u>\$43,937,113</u>

See accompanying notes to financial statements.

**A GLIMMER OF HOPE FOUNDATION**

## Statement of Activities

Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and gains</b>				
Contributions	\$ 46,667	\$ 5,401,207	\$ -	\$ 5,447,874
Investment income	3,899,034	-	-	3,899,034
Net assets released from restriction	4,585,738	(4,585,738)	-	-
Total support and gains	<u>8,531,439</u>	<u>815,469</u>	<u>-</u>	<u>9,346,908</u>
<b>Expenses</b>				
Program services	7,459,192	-	-	7,459,192
General and administrative	1,594,187	-	-	1,594,187
Total expenses	<u>9,053,379</u>	<u>-</u>	<u>-</u>	<u>9,053,379</u>
Change in net assets	(521,940)	815,469	-	293,529
Net assets at beginning of year	42,193,634	1,743,479	-	43,937,113
Net assets at end of year	<u>\$ 41,671,694</u>	<u>\$ 2,558,948</u>	<u>\$ -</u>	<u>\$ 44,230,642</u>

See accompanying notes to financial statements.

**A GLIMMER OF HOPE FOUNDATION**  
Statement of Functional Expenses  
Year Ended December 31, 2008 (As Restated)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Grants	\$ 11,674,808	\$ -	\$ 11,674,808
Salary and related	-	883,200	883,200
Bank and merchant fees	-	3,936	3,936
Computer expenses	-	18,395	18,395
Conferences and events	-	995	995
Depreciation and amortization	-	-	-
Development	-	4,332	4,332
Insurance - medical and travel	-	73,308	73,308
Miscellaneous	-	13,917	13,917
Office supplies	-	4,276	4,276
Professional fees	-	39,256	39,256
Promotions	-	40,549	40,549
Relocation	-	73,004	73,004
Rent expense	-	154,279	154,279
Tax expense	-	3,749	3,749
Telephone and utilities	-	2,345	2,345
Travel and entertainment	-	88,854	88,854
Total expenses	<u>\$ 11,674,808</u>	<u>\$ 1,404,395</u>	<u>\$ 13,079,203</u>

See accompanying notes to financial statements.

**A GLIMMER OF HOPE FOUNDATION**

Statement of Functional Expenses

Year Ended December 31, 2009

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Grants	\$ 7,459,192	\$ -	\$ 7,459,192
Salary and related	-	979,951	979,951
Bank and merchant fees	-	8,571	8,571
Computer expenses	-	95,708	95,708
Conferences and events	-	39,120	39,120
Depreciation and amortization	-	4,445	4,445
Development	-	33,346	33,346
Insurance - medical and umbrella	-	103,757	103,757
Miscellaneous	-	35,720	35,720
Office supplies	-	24,678	24,678
Professional fees	-	20,702	20,702
Rent expense	-	138,292	138,292
Tax expense	-	38,878	38,878
Telephone and utilities	-	14,116	14,116
Travel and entertainment	-	56,903	56,903
Total expenses	<u>\$ 7,459,192</u>	<u>\$ 1,594,187</u>	<u>\$ 9,053,379</u>

See accompanying notes to financial statements.

**A GLIMMER OF HOPE FOUNDATION**

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
		<b>(As Restated)</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 293,529	\$ (20,556,080)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Non-cash adjustments:		
(Appreciation) depreciation on investments	(1,795,245)	9,443,454
Depreciation on fixed assets	4,445	-
Changes in assets and liabilities:		
Increase in prepaid expenses and other assets	(419,812)	(25,943)
Increase in accounts payable and accrued expenses	53,478	28,308
Increase in related party payables	1,552,642	1,795,946
Net cash used by operating activities	<u>(310,963)</u>	<u>(9,314,315)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investment securities	22,001,447	28,483,139
Purchases of investment securities	(23,951,914)	(16,903,635)
Purchases of fixed assets	(38,300)	(4,471)
Net cash provided by investing activities	<u>(1,988,767)</u>	<u>11,575,033</u>
<b>Cash flows from financing activities:</b>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(2,299,730)	2,260,718
Cash and cash equivalents at beginning of year	5,245,273	2,984,555
Cash and cash equivalents at end of year	<u>\$ 2,945,543</u>	<u>\$ 5,245,273</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 25,000</u>
Supplemental disclosure of non-cash transactions:		
Contributed services and assets	<u>\$ 46,667</u>	<u>\$ 271,131</u>

See accompanying notes to financial statements.

# A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

## (1) Organization and Summary of Significant Accounting Policies

**Organization and Reporting Entity** - A Glimmer of Hope Foundation (the Foundation), a Texas not-for-profit corporation, is a foundation having a significant impact on rural communities in Ethiopia and at-risk youth in the inner cities of Austin, Texas and the United Kingdom (dissolved in 2009). The Foundation has achieved success with its pragmatic, entrepreneurial and heartfelt approach and has been recognized for its cost-effectiveness and compassion in the areas of international and humanitarian aid.

The Foundation is primarily focused on making a sustainable difference in the lives of the rural poor in Ethiopia through its innovative and direct approach to aid and development. In Ethiopia, the Foundation works in small, isolated communities through indigenous self-help organizations which provide clean, accessible water; schools and classrooms; health care; agricultural support including veterinary clinics and irrigation; and emergency relief in crisis situations.

The financial statements do not include the accounts of A Glimmer of Hope – Ethiopia, A Glimmer of Hope – United Kingdom, and A Glimmer of Hope – Austin.

**Basis of Presentation and Accounting** – The Foundation’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). For financial statement purposes, the Foundation distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

**Net Asset Classifications** - In accordance with GAAP, the Foundation classifies its net assets into three categories as follows:

*Permanently Restricted* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

*Temporarily Restricted* - Net assets the use of which is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. The Foundation reports all temporarily restricted gifts as increases in temporarily restricted net assets, except those in which the restrictions were met in the same reporting period.

*Unrestricted* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Trustees.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include allowances for depreciation and the periodic valuation of the Foundation’s investment holdings.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of cash in interest bearing checking accounts, money market accounts, and other highly liquid investments with a purchased maturity of three months or less.

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

**Contributions** - Contributions, including unconditional promises to give, are recognized as revenues in the period received or when the Foundation receives a notice of an intent to give. Conditional promises to give are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted contributions.

**Contributed Service and Assets** - Certain services and assets meeting the requirements for recognition have been estimated to equal the cost that would have been incurred had the Foundation purchased such services or assets. These services and assets are reported as contributions in the year incurred and are included as unrestricted net assets in the financial statements.

The Foundation reports non-cash contributions as unrestricted, unless explicit donor stipulations specify how the donated assets must be used and are recorded at their fair value on the date of donation.

**Investments** - Investments in marketable 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 change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

The Foundation invests in various passive foreign investment corporations (PFIC). These investment vehicles are foreign companies with predominantly investment income, or whose assets are primarily intended to generate investment income.

Investments in PFICs and partnerships are reported at fair value and are valued by the investment advisor in accordance with the limited liability company agreement and are based on periodic financial information obtained for each investment. Realized gains and losses are recognized at the time of full withdrawal from the PFICs or partnerships. Unrealized gains and losses are reflected in operations when changes between the carrying value and fair value of PFICs or partnerships interests occur.

**Property and Equipment** - Property and equipment are recorded at cost. Repairs and maintenance are charged to expenses. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. Gains and losses from normal retirements or dispositions are credited or charged to revenue.

Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over the estimated useful lives using the straight line method. Major categories of depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Furniture and Fixtures	5 years
Computer equipment and software	2-3 years
Equipment and transportation equipment	3-5 years

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

**Income Taxes** - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code), and is classified as a private foundation under Section 509(a) of the Code as their main purpose is to raise funds for other not-for-profit entities. Investment income derived from certain investment holdings is subject to federal income taxes and is included in general administrative expenses within the financial statements. During the years ended December 31, 2009 and 2008, the Foundation reported \$3,420,000 and \$330,000 in investment income resulting in federal income tax expense of \$34,000 and \$4,000, respectively.

**Functional Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

**Concentration of Credit Risk** - Financial instruments which potentially subject the Foundation to concentrations of credit risk consists principally of cash and cash equivalents and investments. There was approximately \$2,370,000 and \$4,670,000 of cash and cash equivalents that exceeded the maximum FDIC insured limits at December 31, 2009 and 2008, respectively. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position.

**Subsequent Events** – The Foundation evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Foundation’s financial statements are issued. For the financial statements as of and for the year ended December 31, 2009, this date was December 10, 2010.

**Recent Accounting Pronouncements** - Effective July 1, 2009, The Foundation adopted the “FASB Accounting Standards Codification” and the Hierarchy of Generally Accepted Accounting Principles (ASC 105). This standard establishes only two levels of U.S. GAAP, authoritative and non-authoritative. The FASB Accounting Standards Codification (the Codification) became the source of authoritative, nongovernmental GAAP. All other non-grandfathered accounting literature not included in the Codification became non-authoritative. The Foundation began using the new guidelines and numbering system prescribed by the Codification when referring to GAAP in the December 31, 2009 financial statements. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on the Foundation’s financial statements.

In September 2009, the FASB issued Update No. 2009-06, “Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities” (ASU 2009-06). Among other things, it clarifies that management’s determination of the taxable status of an entity, including its status as a tax-exempt not-for-profit entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. In addition, the characterization of income, a decision to exclude reportable taxable income in a tax return, or the allocation of revenue and expenses between activities that relate to an entity’s exempt purpose and those that are allocated to unrelated business income, also constitute tax positions, and a not-for-profit entity is specifically required to evaluate whether it is involved in any business activities that could be characterized as unrelated business income. The effects of a tax position should only be reflected in the financial statements when it is more-likely-than-not (i.e. greater than 50% chance) that the position would be sustained upon review by a taxing authority. ASU 2009-06 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The new standard did not have any impact on the Foundation’s financial statements.

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

### (2) Restatement of Financial Statements

As a result of a review of the statement of financial position as of December 31, 2008 and statement of activities for the year then ended, it was determined that the Foundation's commitment to donate funds to A Glimmer of Hope – Ethiopia were understated. Accordingly, the liabilities and the program expenses have been adjusted to accrue for the commitments that existed but were unpaid at December 31, 2008.

The effects of the restatement on the statement of financial position as of December 31, 2008 and the related statements of activities and cash flows for the year then ended are as follows:

<b>Statement of Financial Position</b>	<b>Restated</b>	<b>As Previously Reported</b>
Related party payables	\$ 1,795,946	\$ 200,000
<b>Statement of Activities</b>	<b>Restated</b>	<b>As Previously Reported</b>
Program expenses	\$ 11,674,808	\$ 10,078,862
<b>Statement of Cash Flows</b>	<b>Restated</b>	<b>As Previously Reported</b>
Net cash used by operating activities	\$ (9,314,315)	\$ (10,910,261)

### (3) Investments

Investments are stated at fair value and consist of the following as of December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Equity funds	\$ 4,827,551	\$ 5,294,597
Fixed income securities	2,440,346	6,662,864
Passive foreign investment corporations (PFIC)	32,925,070	27,179,477
Partnership investments	4,044,048	1,354,365
Total	\$ 44,237,015	\$ 40,491,303

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2009 and 2008.

	<b>2009</b>	<b>2008</b>
Interest and dividend income	\$ 290,119	\$ 291,972
Net realized gains (losses)	1,813,670	(2,581,568)
Appreciation (depreciation) in investments	1,795,245	(9,443,454)
Net investment income (loss)	\$ 3,899,034	\$ (11,733,050)

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

### (4) Fixed Assets

The following schedule summarizes the fixed assets as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 43,856	\$ 43,856
Furniture and fixtures	8,300	-
Computer equipment and software	30,000	-
	<u>82,156</u>	<u>43,856</u>
Accumulated depreciation	<u>(43,830)</u>	<u>(39,385)</u>
Total property and equipment	<u>\$ 38,326</u>	<u>\$ 4,471</u>

The Foundation capitalized costs to develop internal software during 2009, which was completed in December 2009, at which time the asset was placed into service. As such, the Foundation did not recognize any amortization expense associated with this asset for the year ended December 31, 2009. Depreciation expense for the years ended December 31, 2009 and 2008 was \$4,445 and \$0, respectively.

### (5) Temporarily Restricted Net Assets

The part of the net assets of a not-for-profit organization resulting from contributions whose use by the Foundation is limited by donor-imposed restrictions that either expires by passage of time or the purpose of which is fulfilled, are considered temporarily restricted net assets.

The Foundation's temporarily restricted net assets consist of third party donor contributions for specific items and events. These temporary restrictions expire when the donor restrictions are satisfied and accomplished. Temporarily restricted net assets consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Use Restrictions:		
Charity Water projects	\$ 385,955	\$ -
Welland projects	40,000	341,578
Burbax-ORDA projects	192,589	-
Girargie-ADA projects	96,930	-
Other programs and projects	1,843,474	1,401,901
Total temporarily restricted net assets	<u>\$ 2,558,948</u>	<u>\$ 1,743,479</u>

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

Net assets released from temporary restrictions due to the satisfaction of requirements consisted of the following at December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Use Restrictions:		
Charity Water projects	\$ 690,209	\$ -
Welland projects	443,156	491,578
Burbax-ORDA projects	282,464	-
Girargie-ADA projects	216,377	-
Other programs and projects	2,953,532	2,101,745
Total net assets released from restrictions due to satisfaction of requirements	<b>\$ 4,585,738</b>	<b>\$ 2,593,323</b>

### (6) Fair Value of Financial Instruments

The Foundation has estimated fair value of financial instruments in accordance with requirements of ASC 820. The estimated fair value amounts have been determined by the investment advisor or by independent third parties, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The carrying amount of cash and cash equivalents, accounts payable, and other accruals approximated fair market value at December 31, 2009 and 2008, because of their relatively short maturity and market terms. The fair value of equity and fixed income securities is determined based on quoted market values while the fair value of investments in PFICs and partnerships are generally determined by the investment advisor based on periodic financial information obtained from each investment.

The following table represents the Foundation's fair value hierarchy for its investments measured at fair value on a recurring basis as of December 31, 2009:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	As of December 31, 2009
Investments				
Equity funds	\$ 7,817,836	-	-	\$ 7,817,836
Fixed income	2,440,346	-	-	2,440,346
PFIC's	32,925,070	-	-	32,925,070
Partnerships	-	-	1,053,763	1,053,763
Total investments	<b>\$ 43,183,252</b>	<b>-</b>	<b>1,053,763</b>	<b>\$ 44,237,015</b>

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

The following table represents the Foundation's fair value hierarchy for its investments measured at fair value on a recurring basis as of December 31, 2008:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	As of December 31, 2008
Investments				
Equity funds	\$ 5,294,597	-	-	\$ 5,294,597
Fixed income	6,662,864	-	-	6,662,864
PFIC's	27,179,477	-	-	27,179,477
Partnerships	-	-	1,354,365	1,354,365
Total investments	<u>\$ 39,136,938</u>	<u>-</u>	<u>1,354,365</u>	<u>\$ 40,491,303</u>

Financial instruments are considered Level 1 when their values are determined using quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1, such as quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The following table presents a reconciliation for all assets and liabilities measured and recognized at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2009.

	Significant Unobservable Inputs (Level 3)
Balance at December 31, 2008	\$ 1,354,365
Total gains and losses (realized/unrealized) included in changes in net assets	(150,602)
Purchases, sales, contributions, net	(150,000)
Balance at December 31, 2009	<u>\$ 1,053,763</u>

The estimated fair value of investments was determined by the Foundation in accordance with its investment policy. Estimated fair value is determined by the Foundation based on a number of factors, including: comparable publicly traded securities, the costs of investments to the Foundation, as well as the current and projected operating performance. Changes in unrealized appreciation or depreciation of the investments are recognized as unrealized gains and losses in the statement of activities. Because of the inherent uncertainty of these valuations, the estimated values may differ from the actual fair values that may or may not be ultimately realized.

## A GLIMMER OF HOPE FOUNDATION

Notes to the Financial Statements

December 31, 2009 and 2008

(Continued)

### (7) Commitment and Contingencies

**Leases-** The Foundation leases office facilities under an operating lease that expires in May 2014. Approximate future minimum rental payments due under this lease agreement are as follows:

Year:		
2010	\$	129,375
2011		131,790
2012		133,515
2013		138,345
2014		59,081
Total minimum lease payments	<u>\$</u>	<u>592,106</u>

Rent expenses included in general and administrative expenses during the years ended December 31, 2009 and 2008 were \$138,292 and \$90,324, respectively.

**Litigation** - On December 28, 2008, a former employee filed a lawsuit against the Foundation, in which they alleged, among other things, a breach of contract related to an employment agreement. On September 25, 2009, all parties reached a settlement agreement to release all existing and future claims. As a part of the settlement agreement, the Foundation agreed to disburse a total of \$68,750, of which \$48,123 was paid out during 2008 as a reimbursement of certain relocation costs with the remaining amount to be paid upon execution of the settlement agreement. As such, \$20,627 has been included in accrued expenses as of December 31, 2008.

### (8) Related Party Transactions

During the years ended December 31, 2009 and 2008, the Foundation donated the following funds to certain affiliates for projects and operational expenses:

	<b>2009</b>	<b>2008</b>
A Glimmer of Hope - Austin	\$ 812,836	\$ 786,000
A Glimmer of Hope - United Kingdom	14,437	824,902
A Glimmer of Hope - Ethiopia	5,629,571	8,347,561
	<u>\$ 6,456,844</u>	<u>\$ 9,958,463</u>

At December 31, 2009, the Foundation reported payables to A Glimmer of Hope – Ethiopia totaling \$3,348,588. At December 31, 2008, the Foundation reported payables to A Glimmer of Hope – Austin and A Glimmer of Hope – Ethiopia totaling \$200,000 and \$1,595,946, respectively.

During the year ended December 31, 2008, related parties provided services and donated office space and other assets to the Foundation valued at \$271,131.