

LITTLE SISTERS FUND, INC.

**Financial Statements and
Independent Auditors' Report**

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Little Sisters Fund, Inc.
Ketchum, Idaho

We have audited the accompanying statement of financial position of Little Sisters Fund, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Little Sisters Fund, Inc.'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 in the preceding paragraph present fairly, in all material respects, the financial position of Little Sisters Fund, Inc., as of December 31, 2010, 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.

Northwest CPA Group PLLC

Tri-Cities, Washington
June 1, 2011

Little Sisters Fund, Inc.
Statement of Financial Position
December 31, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents		\$ 247,809
Pledges receivable, <i>current</i>		56,788
Total current assets		304,597

PROPERTY AND EQUIPMENT:

Equipment	\$ 3,469	
Less accumulated depreciation	2,917	
		552

OTHER ASSETS:

Restricted certificates of deposit		250,000
Investments		402,838
Pledges receivable, <i>noncurrent</i>		154,470
		\$ 1,112,457

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable		\$ 333
Payroll liabilities		2,003
Total current liabilities		2,336

NET ASSETS:

Unrestricted	\$ 473,535	
Temporarily restricted	186,586	
Permanently restricted	450,000	
		1,110,121
		\$ 1,112,457

Little Sisters Fund, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>REVENUES AND SUPPORT:</i>				
Contributions	\$ 328,255	\$ 78,400	\$ -	\$ 406,655
Grants	87,000	27,000	-	114,000
Investment gain, <i>net</i>	52,284	-	-	52,284
Net assets released from restrictions	22,500	(22,500)	-	-
	<u>490,039</u>	<u>82,900</u>	<u>-</u>	<u>572,939</u>
<i>EXPENSES:</i>				
Program services	305,620	-	-	305,620
Management and general	33,290	-	-	33,290
Fundraising	22,799	-	-	22,799
	<u>361,709</u>	<u>-</u>	<u>-</u>	<u>361,709</u>
<i>CHANGES IN NET ASSETS</i>	128,330	82,900	-	211,230
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>345,205</u>	<u>103,686</u>	<u>450,000</u>	<u>898,891</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 473,535</u>	<u>\$ 186,586</u>	<u>\$ 450,000</u>	<u>\$ 1,110,121</u>

Little Sisters Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2010

	Program Services	Management and General	Fundraising	Total
Grants to other organizations	\$ 234,774	\$ -	\$ -	\$ 234,774
Payroll expenses	38,877	19,439	19,439	77,755
Contract labor	20,000	-	-	20,000
Professional services	-	10,223	-	10,223
Travel	9,870	-	-	9,870
Insurance	747	1,213	374	2,334
Supplies	872	-	318	1,190
Depreciation	-	287	869	1,156
Telephone and communications	435	435	218	1,088
Office expenses	-	713	178	891
Fundraising supplies	-	-	551	551
Meals and entertainment	-	-	268	268
Training and development	45	-	-	45
Miscellaneous	-	980	584	1,564
	<u>\$ 305,620</u>	<u>\$ 33,290</u>	<u>\$ 22,799</u>	<u>\$ 361,709</u>

Little Sisters Fund, Inc.
Statement of Cash Flows
Year Ended December 31, 2010

***INCREASE (DECREASE) IN CASH
AND CASH EQUIVALENTS***

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from donations	\$ 550,485
Cash paid to other nonprofit organizations, suppliers, and contractors	(360,180)
Interest and dividends received	9,547
Net cash provided by operating activities	<u>199,852</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	\$ (123,346)
Proceeds from sale of investments	132,661
Purchases of certificates of deposit	(350,000)
Proceeds from redemption of certificates of deposit	<u>300,000</u>
Net cash used in investing activities	<u>(40,685)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 159,167

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 88,642

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 247,809

***Reconciliation of Changes in Net Assets
to Net Cash Provided By Operating Activities:***

Changes in net assets	<u>\$ 211,230</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	1,156
Realized loss on investments	7,156
Unrealized (gain) loss on investments	(49,893)
In-kind stock donation	(518)
Decrease in pledges receivable	30,348
Increase (decrease) in liabilities:	
Accounts payable	(1,630)
Payroll liabilities	2,003
Total adjustments	<u>(11,378)</u>
Net cash provided by operating activities	<u><u>\$ 199,852</u></u>

Little Sisters Fund, Inc.

Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Little Sisters Fund, Inc., (the Organization) was organized to provide and promote education, alleviate poverty, and foster family stability and cultural preservation in Nepal and throughout the world. The Organization currently provides long-term scholarships for economically disadvantaged girls in Nepal through relationships with non-governmental organizations (NGO's) in Nepal. The Organization has working relationships with these NGO's but does not have a formal agreement with them or exercise control over them.

Summary of Significant Accounting Policies:

- a. *Cash and cash equivalents* – The Organization considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. Cash held in a money market account at Fidelity Investments was \$50,786 on December 31, 2010. Cash equivalents exclude certificates of deposits.
- b. *Pledges receivable* – The Organization received three unconditional promises to provide future cash payments. The present value of these estimated future cash flows is recorded as pledges receivable. The Organization periodically evaluates the balances in pledges receivable and any amounts significantly past due to determine whether there are any uncollectible amounts. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly against contribution revenue. Subsequent recoveries of amounts previously written off are credited to contribution revenue. Management believes that all pledges are fully collectible at December 31, 2010.
- c. *Property and equipment* – Equipment exceeding the Organization's capitalization policy of \$1,000 is stated at cost for purchases and at fair value for assets donated. Depreciation is determined using the straight-line method over the assets' estimated useful lives of three years.
- d. *Restricted certificates of deposit* – The Organization holds certificates of deposit at cost, which estimates fair value. Restricted certificates of deposit represent contributions that have been designated by a donor for long-term purposes. The restricted certificates of deposit bear interest at 0.35% to 1.35% and mature at various dates from February 2011 to July 2011.
- e. *Investments* – The Organization records investments in marketable securities with readily determinable market values at their fair values in the statement of financial position. Investment securities consist of a highly diversified portfolio of mutual funds and bond funds. The investments in marketable securities are subject to market risk. Interest, dividends, and realized and unrealized gains and losses are included in investment income in the statement of activities and changes in net assets.
- f. *Financial instruments* – At December 31, 2010, the Organization's financial instruments approximated fair value.

Little Sisters Fund, Inc.

Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(continued):**

Summary of Significant Accounting Policies (continued):

- g. *Contributions* – The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All donor restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Temporarily restricted contributions received in the same period the restrictions are met are recorded as unrestricted contributions.

- h. *In-kind contributions* – Donated goods are recorded at their estimated fair value when received.
- i. *Classification of contributions and net assets* – The accompanying financial statements present net assets and revenue based upon the existence or absence of donor-imposed restrictions in these classes: unrestricted, temporarily restricted, and permanently restricted. The donor of the Organization's endowment fund has stipulated that the amounts in the endowment be maintained in fixed bank accounts, with the income generated from the funds utilized for the mission of the Organization. Based on the donor's stipulations, the Organization has determined that the Uniform Prudent Management of Institutional Funds Act is not applicable to their current endowment.
- j. *Functional expense reporting* – Costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services based on estimates of the employee's time incurred and usage of resources.
- k. *Income taxes* – The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is, therefore, generally exempt from income taxes. Accordingly, no tax provision has been provided for in the accompanying financial statements.
- l. *Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Little Sisters Fund, Inc.
Notes to Financial Statements

NOTE 2 - PLEDGES RECEIVABLE:

Unconditional promises to give as of December 31, 2010 are as follows:

Total pledges receivable	\$ 223,000
Less discounts to net present value using 3.295% effective interest rate	<u>11,742</u>
	<u>\$ 211,258</u>

Amounts due in:

Less than one year	\$ 56,788
One to five years	154,470
More than five years	<u>-</u>
	<u>\$ 211,258</u>

NOTE 3 - INVESTMENTS:

Assets and liabilities are recorded at fair value and disclosed using a three-level hierarchy. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level II – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level I. Fair value is determined through quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Little Sisters Fund, Inc.
Notes to Financial Statements

NOTE 3 – INVESTMENTS (continued):

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

Investments consisted of the following at December 31, 2010:

	Fair Value		Cost
	Level I	Total	
Mutual funds:			
Fidelity Fifty	\$ 35,891	\$ 35,891	\$ 42,775
Fidelity Blue Chip Growth	36,109	36,109	31,886
Dow Jones Wilshire 5000 Index Port Invt.	51,860	51,860	53,504
Fidelity Freedom 2035	83,403	83,403	89,586
Fidelity Freedom 2015	195,575	195,575	191,835
	<u>\$ 402,838</u>	<u>\$ 402,838</u>	<u>\$ 409,586</u>

Investments classified as Level I all have publicly traded values which are based on current quoted market prices provided by custodians. Fair values are provided primarily by custodians and are based on pricing models that incorporate available trade, bid, and other market information.

There were no Level II or Level III investments at December 31, 2010.

The components of net investment gain for the year ended December 31, 2010 are reflected below:

Net unrealized gain	\$ 49,893
Net realized loss	(7,156)
Dividends and interest	<u>9,547</u>
Total net investment gain	<u>\$ 52,284</u>

NOTE 4 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following at December 31, 2010:

Contributions restricted by the donors for specific purposes	\$ 136,586
Pledges receivable restricted until received	23,000
Grants restricted by grantor for specific purpose	<u>27,000</u>
	<u>\$ 186,586</u>

Little Sisters Fund, Inc.
Notes to Financial Statements

NOTE 4 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (continued):

Permanently restricted net assets consisted of \$450,000 in an endowment fund as of December 31, 2010. The Endowment Fund is to be invested indefinitely and the income from the endowment is to be used for the Organization's stated mission. The donor has stipulated that the endowment funds are to be invested solely in fixed deposits at banks at the board's discretion. The Endowment funds consist of the following assets:

Pledges receivable, gross	\$ 200,000
Restricted certificates of deposit	<u>250,000</u>
	<u>\$ 450,000</u>

NOTE 5 – ENDOWMENT INVESTMENT AND SPENDING POLICIES:

Effective in 2007, the State of Idaho adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Absent donor specific direction, UPMIFA establishes standards for endowment spending and preservation of the original gift. The Organization's endowment consists of funds received with explicit donor stipulations. Therefore, the Organization has determined that UPMIFA is not applicable to their current endowment. The endowment is required to be maintained in fixed deposits at banks, with investment income to be treated as unrestricted and available to be expended to further the Organization's nonprofit mission of providing long-term scholarships for economically disadvantaged girls in Asia. The board of directors considers the appropriation of endowment investment income to occur as earned and available for use. The endowment balance did not change during 2010.

NOTE 6 – CONCENTRATIONS:

At various times during the year, the Organization's cash in bank accounts may have exceeded the federally insured limits. Management does not consider this to be a significant credit risk.

The Organization holds various types of investments which are not guaranteed and are subject to stock market fluctuations.

During the year ended December 31, 2010, one donor represented 48.7% of contribution revenue. Also, one donor represented 89.1% of pledges receivable as of December 31, 2010. During the year ended December 31, 2010, two grantors made up 78.9% of grant revenue received.

During the year ended December 31, 2010, \$234,774 was donated to two nonprofit organizations within Nepal to provide scholarships for economically disadvantaged girls.

Little Sisters Fund, Inc.
Notes to Financial Statements

NOTE 7 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through June 1, 2011, which is the date the financial statements were available to be issued.