

**UPENDO VILLAGE, NFP**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2011**  
**TOGETHER WITH AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Upendo Village, NFP:

We have audited the accompanying statement of assets, liabilities and net assets - cash basis of Upendo Village, NFP (a non-profit organization) as of June 30, 2011 and the related statement of support, revenue and expenses - cash basis for the year then ended. These financial statements are the responsibility of Upendo Village, NFP'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.

As described in Note 1, Upendo Village, NFP prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Upendo Village, NFP as of June 30, 2010 and its support, revenue, and expenses - cash basis for the year then ended, on the basis of accounting described in Note 1.

  
DUGAN & LOPATKA

Wheaton, Illinois  
August 30, 2011

UPENDO VILLAGE, NFP  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
JUNE 30, 2011

A S S E T S

CASH AND CASH EQUIVALENTS:

Unrestricted	\$ 176,722
Temporarily restricted	107,090
Held for others	<u>23,575</u>
 Total assets	 <u>\$ 307,387</u>

LIABILITIES AND NET ASSETS

AGENCY FUND	<u>\$ 23,575</u>
 NET ASSETS:	
Unrestricted	176,722
Temporarily restricted	<u>107,090</u>
	<u>283,812</u>
 Total liabilities and net assets	 <u>\$ 307,387</u>

The accompanying notes are an integral part of this statement.

UPENDO VILLAGE, NFP  
STATEMENT OF SUPPORT, REVENUE AND EXPENSES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Interest income	\$ 744	\$ -	\$ 744
Individual donations	127,374	193,460	320,834
In-kind contributions	37,241	-	37,241
Income generating activity	-	24,187	24,187
Child education	-	109,337	109,337
Grants	35,000	-	35,000
Corporate contributions	6,681	-	6,681
Fundraisers	44,736	-	44,736
Mission appeals	50,812	-	50,812
Net assets released from restrictions	274,555	(274,555)	-
	<u>577,143</u>	<u>52,429</u>	<u>629,572</u>
<b>EXPENSES:</b>			
Administrative -			
Printing	5,501	-	5,501
Travel	6,000	-	6,000
General	6,852	-	6,852
Professional services	10,549	-	10,549
Capital campaign feasibility study	29,386	-	29,386
Capital campaign	64,201	-	64,201
Program services -			
Upendo Village Kenya	426,179	-	426,179
	<u>548,668</u>	<u>-</u>	<u>548,668</u>
<b>CHANGE IN NET ASSETS</b>	28,475	52,429	80,904
<b>NET ASSETS, Beginning of year</b>	<u>148,247</u>	<u>54,661</u>	<u>202,908</u>
<b>NET ASSETS, End of year</b>	<u>\$ 176,722</u>	<u>\$ 107,090</u>	<u>\$ 283,812</u>

The accompanying notes are an integral part of this statement.

UPENDO VILLAGE, NFP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

Upendo Village, NFP (Upendo), is a not-for-profit corporation, which was organized to provide care and quality services of counseling, education and housing for women, men and children living with HIV and AIDS. Upendo was organized in 2002 and incorporated on May 2, 2002.

The financial statements were available to be issued on August 30, 2011 with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements:

Basis of Accounting -

The financial statements have been prepared on the cash basis of accounting. The cash basis of accounting recognizes income when received rather than when earned and expenses when paid rather than when incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC). Under the ASC, Upendo is required to report 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.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, Upendo considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Credit Risk -

Financial instruments which potentially subject Upendo to concentrations of credit risk consist principally of cash. Upendo places its cash and deposits with high credit quality financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At June 30, 2011, Upendo had cash balances exceeding the FDIC limit by approximately \$47,000.

Restricted Resources -

Upendo reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 support, revenue and expenses as net assets released from restrictions.

(2) INCOME TAXES:

Upendo is a not-for-profit organization that is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Upendo files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, Upendo is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007. Upendo does not expect a material net change in unrecognized tax benefits in the next twelve months.

(3) IN-KIND GIFTS AND DONATED SERVICES:

In-kind donations are recognized as contributions in accordance with the Accounting Standards Codification (ASC) for *Accounting for Contributions Received and Contributions Made*, if the services, a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Upendo. Contributed services and expenses have been recorded, based on their estimated fair market value, on the date of contribution as follows:

In-kind contributions	<u>\$ 37,241</u>
In-kind expenses - Capital campaign	<u>\$ 37,241</u>

Time and service for managing the corporate affairs of Upendo have been donated by the officers. The value of these donated professional services and most of the donated fixed assets is not clearly measurable and does not meet the criteria for the ASC. Accordingly, these services and materials are not recorded in the accounting records.

(4) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2011 are available for the following purposes:

Construction	\$ 48,040
Computers	1,231
Child education	54,792
Income generating activities	1,060
Photo Club	441
Recovery fund	<u>1,526</u>
Temporarily restricted net assets	<u>\$ 107,090</u>

During 2011, net assets were released in the total amount of \$274,555 for various projects and services.

(5) CONCENTRATION:

Upendo disbursed approximately 83% of funds received to ASN Upendo Village in fiscal year ended June 30, 2011. Without the capital campaign expenses, Upendo disbursed approximately 94% of funds received to ASN Upendo Village in fiscal year ended June 30, 2011. Upendo exists primarily to raise funds for ASN Upendo Village, which is reflected in this concentration.

**(6) PASS-THROUGH FUNDS:**

As of fiscal year ended June 30, 2011, \$23,575 was received on behalf of a Kenyan hospital for the addition of a microbiology lab. The donation was for the sole purpose of being distributed to the Kenyan hospital; Upendo serves as a method to facilitate the transfer of the funds. As such, the amount was excluded from donations to Upendo and appears solely on the balance sheet. The Board of Directors has determined this practice will not be allowed for future projects.