

RISING STAR OUTREACH, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2011 AND 2010

RISING STAR OUTREACH, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position as of March 31, 2011 and 2010	2
Statements of Activities for the Years Ended March 31, 2011 and 2010	3
Statement of Functional Expenses for the Year Ended March 31, 2011	4
Statement of Functional Expenses for the Year Ended March 31, 2010	5
Statements of Cash Flows for the Years Ended March 31, 2011 and 2010	6
Notes to Financial Statements	7

BROOKS, MCGINNIS & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

5871 GLENRIDGE DRIVE

SUITE 200

ATLANTA, GEORGIA 30328

MEMBER OF AICPA
DIVISION FOR CPA FIRMS

(404) 531-4940
FAX: (404) 531-4950

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rising Star Outreach, Inc.:

We have audited the accompanying statement of financial position of Rising Star Outreach, Inc. (the Organization) as of March 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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.

As described in Note 1 to the financial statements, the Organization's mission is to assist leprosy colonies in India to become thriving, self-sufficient communities. The Organization accomplishes this primarily through contributions to Rising Star Outreach of India (RSOI), a not-for-profit organization separately incorporated in India. The financial statements presented herein do not include the financial position or activities of RSOI as RSOI is not under the control of the Organization and has a separate board of directors.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rising Star Outreach, Inc. as of March 31, 2011 and 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
August 29, 2011

RISING STAR OUTREACH, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 262,476	\$ 276,189
Certificate of deposit	112,092	111,799
Prepaid expenses	2,387	2,263
Property and equipment, net	5,905	1,333
Total assets	\$ 382,860	\$ 391,584
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 4,280	\$ 12,000
Total liabilities	4,280	12,000
Commitments and contingencies		
Net assets:		
Unrestricted	224,043	299,584
Temporarily restricted	154,537	80,000
Total net assets	378,580	379,584
Total liabilities and net assets	\$ 382,860	\$ 391,584

The accompanying notes are an integral part of these financial statements.

RISING STAR OUTREACH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Revenues and support:		
Contributions	\$ 734,350	\$ 783,945
Inkind contributions	65,581	37,935
Special events, net of direct expenses of \$20,633 and \$840 for 2011 and 2010, respectively	150,812	28,894
Investment income	293	1,446
Other income	168	767
Net assets released from restrictions	65,397	20,000
Total unrestricted revenue and support	<u>1,016,601</u>	<u>872,987</u>
Expenses:		
Program services:		
RSOI programs	855,554	794,685
Volunteer partners	90,729	102,399
Total program expenses	<u>946,283</u>	<u>897,084</u>
General and administrative	137,537	124,378
Fundraising	8,322	8,895
Total expenses	<u>1,092,142</u>	<u>1,030,357</u>
Decrease in unrestricted net assets	<u>(75,541)</u>	<u>(157,370)</u>
Changes in temporarily restricted net assets:		
Contributions	139,934	100,000
Net assets released from restrictions	<u>(65,397)</u>	<u>(20,000)</u>
Increase in temporarily restricted net assets	<u>74,537</u>	<u>80,000</u>
Decrease in net assets	(1,004)	(77,370)
Net assets at beginning of year	<u>379,584</u>	<u>456,954</u>
Net assets at end of year	<u>\$ 378,580</u>	<u>\$ 379,584</u>

The accompanying notes are an integral part of these financial statements.

RISING STAR OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011

	Program Services			General and Administrative	Fundraising	Total
	RSOI Programs	Volunteer Partners	Total			
Salaries and wages	\$ 83,091	\$ 44,742	\$ 127,833	\$ 51,447	\$ 5,716	\$ 184,996
Payroll taxes	6,735	3,626	10,361	3,848	428	14,637
Total personnel costs	<u>89,826</u>	<u>48,368</u>	<u>138,194</u>	<u>55,295</u>	<u>6,144</u>	<u>199,633</u>
Contracted services	4,030	2,170	6,200	10,916	1,213	18,329
Contributions - RSOI	687,056	-	687,056	-	-	687,056
Occupancy	-	-	-	16,762	-	16,762
Repairs and maintenance	-	-	-	18,266	-	18,266
Printing	5,479	2,950	8,429	8,492	944	17,865
Postage and delivery	3,487	1,877	5,364	188	21	5,573
Travel	57,558	30,993	88,551	3,579	-	92,130
Insurance	-	-	-	2,840	-	2,840
Professional fees	-	-	-	5,000	-	5,000
Bank charges and credit card fees	8,118	4,371	12,489	4,163	-	16,652
Office expense	-	-	-	7,031	-	7,031
Depreciation	-	-	-	1,931	-	1,931
Miscellaneous	-	-	-	3,074	-	3,074
Total expenses	<u>\$ 855,554</u>	<u>\$ 90,729</u>	<u>\$ 946,283</u>	<u>\$ 137,537</u>	<u>\$ 8,322</u>	<u>\$ 1,092,142</u>

The accompanying notes are an integral part of these financial statements.

RISING STAR OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2010

	Program Services				General and Administrative	Fundraising	Total
	RSOI Programs	Volunteer Partners	Total				
Salaries and wages	\$ 49,301	\$ 26,547	\$ 75,848	\$ 49,702	\$ 5,522	\$ 131,072	
Payroll taxes	4,863	2,619	7,482	4,934	548	12,964	
Total personnel costs	<u>54,164</u>	<u>29,166</u>	<u>83,330</u>	<u>54,636</u>	<u>6,070</u>	<u>144,036</u>	
Contracted services	212	114	326	6,831	759	7,916	
Contributions - RSOI	604,517	-	604,517	8,524	-	604,517	
Occupancy	-	-	-	4,810	-	4,810	
Repairs and maintenance	-	-	-	11,332	1,259	20,405	
Printing	5,079	2,735	7,814	7,263	807	18,452	
Postage and delivery	6,748	3,634	10,382	251	-	251	
Telephone	-	-	-	3,473	-	3,473	
Travel	116,427	62,692	179,119	2,679	-	182,592	
Insurance	-	-	-	13,000	-	2,679	
Professional fees	-	-	-	3,866	-	13,000	
Bank charges and credit card fees	7,538	4,058	11,596	5,827	-	15,462	
Office expense	-	-	-	1,000	-	5,827	
Depreciation	-	-	-	886	-	1,000	
Miscellaneous	-	-	-	-	-	886	
Total expenses	<u>\$ 794,685</u>	<u>\$ 102,399</u>	<u>\$ 897,084</u>	<u>\$ 124,378</u>	<u>\$ 8,895</u>	<u>\$ 1,030,357</u>	

The accompanying notes are an integral part of these financial statements.

RISING STAR OUTREACH, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Decrease in net assets	\$ <u>(1,004)</u>	\$ <u>(77,370)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,931	1,000
Changes in assets and liabilities:		
Increase in:		
Prepaid expenses	(124)	(42)
Increase (decrease) in:		
Accrued expenses	<u>(7,720)</u>	<u>8,000</u>
Total adjustments	<u>(5,913)</u>	<u>8,958</u>
Net cash used in operating activities	<u>(6,917)</u>	<u>(68,412)</u>
Cash flows from investing activities:		
Purchases of computer equipment	(6,502)	-
Reinvested interest on certificates of deposit	<u>(294)</u>	<u>(1,446)</u>
Net cash used in investing activities	<u>(6,796)</u>	<u>(1,446)</u>
Decrease in cash and cash equivalents	(13,713)	(69,858)
Cash and cash equivalents, beginning of year	<u>276,189</u>	<u>346,047</u>
Cash and cash equivalents, end of year	\$ <u><u>262,476</u></u>	\$ <u><u>276,189</u></u>

The accompanying notes are an integral part of these financial statements.

RISING STAR OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Rising Star Outreach, Inc. (the Organization) is a not-for-profit corporation formed in 2001 in Atlanta, Georgia. The Organization is dedicated to helping leprosy colonies in India to become thriving, self-sufficient communities. The Organization is accomplishing its mission through three major initiatives:

- To educate the colony children in a safe, healthy environment,
- To provide leprosy patients with their own small businesses using micro-financing, and
- To address the unique health challenges of the colonies with mobile medical units.

Method of Reporting and Financial Statement Presentation

The Organization's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, based on stipulations made by the donor. The Organization has no permanently restricted net assets.

In 2004, the Organization assisted with the formation of Rising Star Outreach of India (RSOI). RSOI is registered as a separate stand-alone non-profit entity under India law and is not under the control of the Organization. RSOI has a separate Board of Directors which has full responsibility for the operations of the entity. Accordingly, the accompanying financial statements of the Organization do not include the financial position or activities of RSOI. Contributions are made to RSOI throughout the year to provide funding for various programs including colony building projects, micro lending, mobile clinics, and sponsor a child.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

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.

RISING STAR OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010

1. Nature of Organization and Significant Accounting Policies - Continued

Contributions - Continued

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. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable.

The Organization records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations regarding the duration that the long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service.

All non-cash gifts (other than personal services) are recorded at their estimated fair value at the date of receipt. Donated services are recognized at fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. As discussed in Note 4, the Organization received various donated services, facilities and office expenses from Board members. Volunteers provide a significant amount of services to the Organization throughout the year that are not recognized as contributions since the recognition criteria under GAAP was not met.

Property and Equipment

Property and equipment are stated at either cost or, for donated property, the fair market value at the time of donation. Depreciation is recorded using the straight-line method over estimated useful lives of three years for computer equipment. The Organization generally capitalizes fixed asset expenditures over \$1,000.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities as well as in the statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

RISING STAR OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010

1. Nature of Organization and Significant Accounting Policies - Continued

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as an organization other than a private foundation. Accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents and Concentrations of Credit Risk

For purposes of the statements of cash flows, the Organization considers all cash and highly liquid investments with maturities of three months or less to be cash equivalents.

Cash and cash equivalents consist primarily of demand deposits with several financial institutions. The balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2011, the Organization's cash balances were fully insured by the FDIC. At March 31, 2010, the aggregate bank balances at various financial institutions exceeded this insured limit by \$19,334.

Advertising Costs

Advertising costs are expensed as incurred.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) established *FASB Accounting Standards Codification* (ASC) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). The ASC does not change GAAP, except in limited circumstances, and the content of the ASC carries the same level of GAAP authority.

RISING STAR OUTREACH, INC.
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2011 AND 2010

1. Nature of Organization and Significant Accounting Policies - Continued

New Accounting Pronouncements - Continued

Other than the manner in which the new accounting guidance is referenced, the adoption of this change did not have a material effect on the Organization's financial statements.

In June 2009, the FASB issued ASC 855, *Subsequent Events*. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. There was no impact on the Organization's financial statements as a result of this adoption.

Fair Value of Financial Instruments

The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. In accordance with the Fair Value Measurements and Disclosures Topic of FASB ASC, the carrying value of cash and cash equivalents, prepaid expenses and accrued expenses approximate fair value due to the short-term nature of these instruments.

2. Property and Equipment

Property and equipment consist of the following at March 31:

		2011		2010
Computer equipment	\$	9,502	\$	3,000
Less: accumulated depreciation		(3,597)		(1,667)
Total property and equipment, net	\$	5,905	\$	1,333

Depreciation expense for the years ended March 31, 2011 and 2010 totaled \$1,931 and \$1,000, respectively.

3. Conditional Promise to Give

In September 2010, the Organization received a three year conditional promise to give totaling \$100,000 that contains a matching fund requirement. The Organization received \$33,333 during the fiscal year ended March 31, 2011 as the required match was met. The remaining matching requirement has not been fulfilled as of March 31, 2011 and therefore \$66,667 is not reflected in the accompanying financial statements for the fiscal year ended March 31, 2011.

RISING STAR OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010

4. Related Party Transactions

As discussed in Note 1, the Organization accomplishes its mission primarily through contributions to RSOI. During the years ended March 31, 2011 and 2010, the Organization provided direct support of \$687,056 and \$604,517 respectively to RSOI as reflected in the accompanying financial statements.

Two members of the Organization's Board of Directors serve as non-voting officers of RSOI. In addition, management estimates that staff time totaling \$55,123 and \$42,040 respectively, was provided by the Organization to RSOI during the years ended March 31, 2011 and 2010.

The Organization received contributions and donated services and facilities from various Board members as follows for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Cash contributions	\$ 281,392	\$ 157,300
Donated facilities	3,600	3,600
Expenses paid for the benefit of the Organization	56,981	29,335
Donated legal services	<u>5,000</u>	<u>5,000</u>
	<u>65,581</u>	<u>37,935</u>
Total support from Board members	<u>\$ 346,973</u>	<u>\$ 195,235</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions the Organization has received which are subject to donor-imposed restrictions. Temporarily restricted net assets consist of the following at March 31:

	<u>2011</u>	<u>2010</u>
Purpose restricted:		
Micro Lending	\$ 50,000	\$ 80,000
Medical	84,021	-
Education	17,163	-
Other restricted purposes	<u>3,353</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 154,537</u>	<u>\$ 80,000</u>

RISING STAR OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010

6. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes as follows during the years ended:

	2011	2010
Program purpose restriction accomplished:		
Micro Lending	\$ 30,000	\$ 20,000
Medical	14,979	-
Education	20,418	-
Total net assets released from restrictions	\$ 65,397	\$ 20,000

7. Subsequent Events

Subsequent to March 31, 2011, the Organization made the decision to move its administrative office to Provo, Utah. Management entered into a new lease agreement scheduled to commence in June 2011 on a semester to semester tenancy. Semesters will be determined in accordance with Brigham Young University's semester schedule. Rental payments per the lease agreement are \$1,100 per month.

Management has evaluated events and transactions which occurred through August 29, 2011, which is the date the financial statements were available to be issued. As a result of that evaluation, management determined that there were no other events or transactions that would require disclosure in the financial statements.