

CHINA CARE FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

CHINA CARE FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
China Care Foundation, Inc.

We have audited the accompanying statements of financial position of China Care Foundation, Inc. as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of China Care Foundation, Inc.'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Care Foundation, Inc. as of December 31, 2010 and 2009, 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.

Arthur F. Bell, Jr. & Associates, L.L.C.

September 9, 2011

CHINA CARE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 865,537 | \$ 1,289,223 |
| Contributions receivable | 29,597 | 34,654 |
| Contributions receivable from Director and related organizations | 277,439 | 340,324 |
| Prepaid expenses and other assets | 30,498 | 27,298 |
| Loans receivable, net of allowance of \$1,000 and \$1,000 | <u>87</u> | <u>836</u> |
| Total assets | <u>\$ 1,203,158</u> | <u>\$ 1,692,335</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accrued expenses | \$ 45,234 | \$ 28,789 |
| Grant payable | <u>0</u> | <u>33,500</u> |
| Total liabilities | <u>45,234</u> | <u>62,289</u> |
| NET ASSETS | | |
| Unrestricted | 1,144,580 | 1,613,678 |
| Temporarily restricted | <u>13,344</u> | <u>16,368</u> |
| Total net assets | <u>1,157,924</u> | <u>1,630,046</u> |
| Total liabilities and net assets | <u>\$ 1,203,158</u> | <u>\$ 1,692,335</u> |

See accompanying notes.

CHINA CARE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

| | Year Ended December 31, 2010 | | | Year Ended December 31, 2009 | | |
|--|------------------------------|---------------------------|--------------|------------------------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenues and other support | | | | | | |
| Contributions | \$ 1,510,669 | \$ 123,579 | \$ 1,634,248 | \$ 1,561,524 | \$ 215,061 | \$ 1,776,585 |
| Special events | | | | | | |
| Event ticket revenue | 688,050 | 0 | \$ 688,050 | 408,115 | 0 | 408,115 |
| Less: Costs of direct benefit to donors | (387,982) | 0 | (387,982) | (327,113) | 0 | (327,113) |
| Net revenues from special events | 300,068 | 0 | 300,068 | 81,002 | 0 | 81,002 |
| Interest and other income | 3,034 | 0 | 3,034 | 5,335 | 0 | 5,335 |
| Net realized and unrealized (loss) on investment | 0 | 0 | 0 | (9) | 0 | (9) |
| Volunteer fees | 21,620 | 0 | 21,620 | 0 | 0 | 0 |
| Net assets released from restrictions | 126,603 | (126,603) | 0 | 244,488 | (244,488) | 0 |
| Total revenues and other support | 1,961,994 | (3,024) | 1,958,970 | 1,892,340 | (29,427) | 1,862,913 |
| Expenses | | | | | | |
| Program services | 1,975,833 | 0 | 1,975,833 | 3,136,544 | 0 | 3,136,544 |
| Management and general | 269,787 | 0 | 269,787 | 315,393 | 0 | 315,393 |
| Fundraising | 185,472 | 0 | 185,472 | 246,196 | 0 | 246,196 |
| Total expenses | 2,431,092 | 0 | 2,431,092 | 3,698,133 | 0 | 3,698,133 |
| Change in net assets | (469,098) | (3,024) | (472,122) | (1,805,793) | (29,427) | (1,835,220) |
| Net assets: | | | | | | |
| Beginning of year | 1,613,678 | 16,368 | 1,630,046 | 3,419,471 | 45,795 | 3,465,266 |
| End of year | \$ 1,144,580 | \$ 13,344 | \$ 1,157,924 | \$ 1,613,678 | \$ 16,368 | \$ 1,630,046 |

See accompanying notes.

CHINA CARE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

| | Program Services | | | Supporting Services | | | Total |
|-------------------------------|---------------------|----------------------|------------------------|------------------------|----------------------------|---------------------------|---------------------|
| | China Programs | Clubs and Volunteers | Total Program Services | Management and General | Fundraising ⁽¹⁾ | Total Supporting Services | |
| Salaries/Contract Labor | \$ 0 | \$ 81,166 | \$ 81,166 | \$ 150,712 | \$ 130,909 | \$ 281,621 | \$ 362,787 |
| Medical Treatment | 3,023 | 0 | 3,023 | 0 | 0 | 0 | 3,023 |
| Occupancy | 0 | 16,668 | 16,668 | 16,668 | 16,669 | 33,337 | 50,005 |
| Travel/Lodging/Meals | 1,937 | 22,929 | 24,866 | 2,430 | 2,935 | 5,365 | 30,231 |
| Printing and postage | 0 | 4,519 | 4,519 | 768 | 8,196 | 8,964 | 13,483 |
| Supplies | 0 | 0 | 0 | 749 | 4,493 | 5,242 | 5,242 |
| Grants to others | 1,812,814 | 0 | 1,812,814 | 0 | 0 | 0 | 1,812,814 |
| Telephone/information systems | 0 | 4,411 | 4,411 | 3,896 | 11,117 | 15,013 | 19,424 |
| Professional fees | 24,000 | 0 | 24,000 | 79,311 | 0 | 79,311 | 103,311 |
| Insurance | 0 | 0 | 0 | 8,599 | 0 | 8,599 | 8,599 |
| Other | 3,931 | 435 | 4,366 | 6,654 | 11,153 | 17,807 | 22,173 |
| | <u>\$ 1,845,705</u> | <u>\$ 130,128</u> | <u>\$ 1,975,833</u> | <u>\$ 269,787</u> | <u>\$ 185,472</u> | <u>\$ 455,259</u> | <u>\$ 2,431,092</u> |

⁽¹⁾ Net of \$387,982 costs of direct benefits to donors separately reported as a reduction of special events revenue.

See accompanying notes.

CHINA CARE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

| | Program Services | | | Supporting Services | | | Total |
|-------------------------|---------------------|----------------------|------------------------|------------------------|----------------------------|---------------------------|---------------------|
| | China Programs | Clubs and Volunteers | Total Program Services | Management and General | Fundraising ⁽¹⁾ | Total Supporting Services | |
| Salaries/Contract Labor | \$ 525,229 | \$ 91,191 | \$ 616,420 | \$ 148,602 | \$ 159,667 | \$ 308,269 | 924,689 |
| Medical Treatment | 96,370 | 0 | 96,370 | 0 | 0 | 0 | 96,370 |
| Occupancy | 47,837 | 0 | 47,837 | 25,855 | 25,855 | 51,710 | 99,547 |
| Travel/Transportation | 49,112 | 12,948 | 62,060 | 15,150 | 1,328 | 16,478 | 78,538 |
| Printing and postage | 0 | 8,606 | 8,606 | 713 | 16,571 | 17,284 | 25,890 |
| Supplies | 54,213 | 0 | 54,213 | 347 | 3,215 | 3,562 | 57,775 |
| Grants to others | 2,211,720 | 0 | 2,211,720 | 0 | 0 | 0 | 2,211,720 |
| Information systems | 5,146 | 8,147 | 13,293 | 7,220 | 19,552 | 26,772 | 40,065 |
| Professional fees | 0 | 0 | 0 | 99,454 | 0 | 99,454 | 99,454 |
| Depreciation | 0 | 0 | 0 | 9,316 | 0 | 9,316 | 9,316 |
| Special events | 0 | 0 | 0 | 0 | 12,500 | 12,500 | 12,500 |
| Insurance | 0 | 0 | 0 | 4,228 | 0 | 4,228 | 4,228 |
| Other | 25,135 | 890 | 26,025 | 4,508 | 7,508 | 12,016 | 38,041 |
| | <u>\$ 3,014,762</u> | <u>\$ 121,782</u> | <u>\$ 3,136,544</u> | <u>\$ 315,393</u> | <u>\$ 246,196</u> | <u>\$ 561,589</u> | <u>\$ 3,698,133</u> |

⁽¹⁾ Net of \$327,113 costs of direct benefits to donors separately reported as a reduction of special events revenue.

See accompanying notes.

CHINA CARE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|---------------------|
| Cash flows (used in) operating activities | | |
| Change in net assets | \$ (472,122) | \$ (1,835,220) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Realized and unrealized loss on investments | 0 | 9 |
| Donation of stock | 0 | (491) |
| (Decrease) in provision for doubtful accounts | 0 | (4,000) |
| Depreciation | 0 | 9,316 |
| Decrease in contributions receivable | 5,057 | 18,861 |
| Decrease in contributions receivable from Director and related organizations | 62,885 | 69,506 |
| Decrease in loans receivable | 749 | 10,436 |
| Decrease (increase) in prepaid expenses and other assets | (3,200) | 59,582 |
| Increase (decrease) in accrued expenses | 16,445 | (116,981) |
| (Decrease) increase in grant payable | <u>(33,500)</u> | <u>33,500</u> |
| Net cash (used in) operating activities | <u>(423,686)</u> | <u>(1,755,482)</u> |
| Cash flows provided by investing activities | | |
| Proceeds from sale of investments | <u>0</u> | <u>997</u> |
| Net cash provided by investing activities | <u>0</u> | <u>997</u> |
| Net (decrease) in cash and cash equivalents | (423,686) | (1,754,485) |
| Cash and cash equivalents | | |
| Beginning of year | <u>1,289,223</u> | <u>3,043,708</u> |
| End of year | <u>\$ 865,537</u> | <u>\$ 1,289,223</u> |

See accompanying notes.

CHINA CARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

China Care Foundation, Inc. (the "Foundation"), is a not-for-profit organization incorporated in the State of Connecticut in 2000. The Foundation's mission is to give special needs Chinese orphans the opportunity for a better life and to empower youth through direct humanitarian service.

In March 2009, the Foundation entered into an agreement with Half the Sky Foundation ("HTS"), a California 501(c)(3) tax exempt not-for-profit public benefit corporation established in 1998, with a mission to enrich the lives and enhance the prospects of orphaned children in China, whereby the China Care Program at Half the Sky ("CCH") was established. Under the terms of the agreement, children from the Foundation's existing children's homes and other programs were transferred to CCH. This transition occurred during March 2009 through July 2009. Consistent with the agreement, the Foundation ceased its physical operations in China in 2009. The Foundation incurred approximately \$123,800 of severance expense associated with the termination of employee arrangements, which is included in the 2009 Statement of Functional Expenses as Salaries/Contract Labor expense of the China Programs.

Prior to the HTS transition in 2009, the Foundation generally provided all medical and other care services directly. Subsequently under the terms of the agreement with HTS, the Foundation has certain commitments to HTS for both unrestricted purposes and others restricted for CCH and for the placement of children as further discussed in Note 7.

The major components of the Foundation's program consist of:

The China Care Home program at Half the Sky ("CCH") – Substantially funded by the Foundation, CCH provides necessary surgery or medical treatment and pre-operative/post operative care for fragile children with urgent medical needs. Located in Beijing, CCH is a 24-hour operative medical facility which has a practical capacity to care for approximately 75 children at any one time, and approximately 250 children annually.

Foster Care Support – Prior to May 2009, certain orphans from the Foundation's Children's Homes in China were placed in foster care, when appropriate. The Foundation monitored their care and provided financial support to the foster parents for the orphan's care. As of May 2009, consistent with the agreement with HTS, the Foundation's foster care operations were discontinued, and the majority of those children receiving foster care were transferred to HTS. A small number of foster care children with severe disabilities were transferred to New Hope Foundation Limited ("Hope"), a registered charitable institution with a compatible mission and with offices located in Hong Kong and a representative office in Beijing, China. The Foundation agreed to provide financial support to primarily cover Hope's corresponding cost over an eighteen month period, as further discussed in Note 7. Both HTS and Hope assumed responsibility in coordination with local welfare institutions regarding these children.

Clubs and Volunteers – The Foundation sponsors a program to provide the opportunity for volunteers to go to China and work directly with the children in CCH. In addition, the Foundation assists students at various schools and universities to form student clubs to involve members in understanding the situation of orphans in China and their needs, to conduct fundraising and mentoring activities in the U.S., and to inspire an interest in philanthropy in American youth.

CHINA CARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Method of Reporting

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) is the single source of U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

C. Revenue Recognition

The Foundation's primary source of financial support consists of donations from the general public. The Foundation reports contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. All donor-restricted contributions are 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 as net assets released from restrictions.

D. Cash and Cash Equivalents

The Foundation considers all short-term highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. The Foundation maintains its cash balances, including amounts held on deposit subject to temporarily restricted donor contributions (see Note 3.), in checking, savings, and money market mutual funds accounts at a major financial institution. Assets deposited with financial institutions are subject to credit risk. In the event of the financial institution's insolvency, recovery of the Foundation's assets on deposit may be limited to account insurance by the FDIC or other protection afforded such deposits. Interest income, including interest-equivalent dividends on money market mutual funds, is recognized on the accrual basis.

E. Loans Receivable

Prior to 2009, the Foundation provided uncollateralized loans to American families who adopted Chinese orphans. Interest rates on these loans range from 0% to 3%. The Foundation evaluates individual loan balances and payments over 90 days past due, and a provision for doubtful accounts is estimated based on the amount the Foundation expects to collect on the outstanding loan balances. Loans are charged to doubtful accounts when management has determined that further collection efforts are not warranted.

F. Investments

Investments in equity securities donated to the Foundation are recorded at the fair market value on the date of contribution based on published price information. The carrying value of all marketable securities (purchased or donated) is based on fair market value on the statement of financial position date and change in unrealized appreciation or depreciation are included in the statement of activities. The Foundation's investments are reported at fair value as Level 1 assets in the fair value hierarchy framework established under U.S. GAAP.

CHINA CARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Office Equipment

The Foundation capitalizes the acquisitions of office equipment in excess of \$5,000. Office equipment is 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 life of three years. All office equipment was fully depreciated at December 31, 2009, and there were no capital additions during the current year.

H. Income Taxes

The Foundation qualifies as a tax-exempt organization under the existing provisions of the Internal Revenue Code Section 501(c)(3) and its income is generally not subject to Federal or state income and excise taxes. The Foundation's accounting policy is to provide liabilities for uncertain tax provisions when required under U.S. GAAP. Management is not aware of any violations of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

The Foundation applies the provisions of Codification Topics 740, *Income Taxes*; and 835, *Interest*, which prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity before being measured and recognized in the financial statements. This accounting standard requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's financial statements to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions with respect to tax at the Foundation level not deemed to meet the "more-likely-than-not" threshold would be recorded as an expense in the current year. The Foundation has elected an accounting policy to classify interest and penalties, if any, as interest expense. Management has concluded there is no tax expense or interest expense related to uncertainties in income tax positions for the year ended December 31, 2010.

I. Contributed Services

The cost of professional services, space and similar items contributed to the Foundation is not material and is, therefore, excluded from revenue and expense in the statement of activities.

J. Allocated Expenses

The Foundation's expenses have been summarized on a functional basis in accordance with generally accepted accounting standards for voluntary health and welfare organizations. Most expenses may be directly identified to their related program or supporting service function, and are recorded accordingly. Indirect expenses have been allocated based on a percentage of each program's direct expenses over total program costs, or other bases considered appropriate given the nature of the expense.

CHINA CARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Foreign Currency Transactions

The Foundation's functional currency is the U.S. dollar; however, prior to May 2009 it transacted business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the date of the statement of financial condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation to U.S. dollars are reported in income currently.

Note 2. RELATED PARTY CONTRIBUTIONS

A Director of the Foundation has a significant ownership interest in a company that provides certain administrative and other services for the benefit of the Foundation. The cost of these donated services is not deemed material and, therefore, is not reported as revenue and expense in the statement of activities. The Director, or other organizations under the Director's control, makes various general donations and also makes contributions to the Foundation for substantially all of the costs incurred by the Foundation for, among others, management and general overhead and fundraising expenses.

Contributions from this Director and the Director's related organizations aggregated approximately \$960,000 and \$916,300 for the years ended December 31, 2010 and 2009, respectively. Included in these amounts is \$277,439 and \$340,324 reported as Contribution Receivable from Director and related organizations at December 31, 2010 and 2009, respectively, in the accompanying Statements of Financial Position. In addition, during the years ended December 31, 2010 and 2009 the Foundation received contributions of approximately \$38,900 and \$37,800, respectively, from other Directors of the Foundation.

Note 3. RESTRICTIONS ON NET ASSETS

At December 31, 2010 and 2009, temporarily restricted net assets (reported as a component of Cash and cash equivalents) are available for the following purposes:

| | <u>2010</u> | <u>2009</u> |
|---------------------|-------------|-------------|
| Surgical Procedures | \$ 13,344 | \$ 16,368 |

Note 4. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2010 and 2009, the Foundation received in-kind contributions of items for fund-raising auctions with an estimated fair market value of approximately \$148,600 and \$251,300, respectively. These items were sold at auction during the Foundation's special events and the proceeds from such auctions are included in the Foundation's reported contributions for the years ended December 31, 2010 and 2009. During the year ended December 31, 2009, the Foundation received in-kind donations of milk formula powder for use in its China programs having a fair market value of approximately \$18,200, which is included in the Foundation's reported contributions.

CHINA CARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. ALLOCATION OF JOINT COSTS

The Foundation's personnel conduct activities that may benefit more than one program or support service. Such Foundation activities include requests for contributions, as well as program and management and general components, including special events. The costs of conducting the activities include joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated to the various programs or support services based on time spent estimates, or other appropriate statistics. Such joint costs, as included in the appropriate program or support service in the schedule of functional expenses, totaled \$153,594 and \$241,851 for the years ended December 31, 2010 and 2009, respectively as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------------|-------------------|-------------------|
| China Programs | \$ 0 | \$ 8,148 |
| Clubs and Volunteers Program | 53,441 | 62,513 |
| Management and General | 35,055 | 45,437 |
| Fundraising | <u>65,098</u> | <u>125,753</u> |
| | <u>\$ 153,594</u> | <u>\$ 241,851</u> |

Note 6. LEASE COMMITMENT

During 2008, the Foundation entered into an operating agreement to lease administrative office space. The original lease expires January 31, 2011 with two options to extend the terms. In July 2010, the Foundation extended the lease for one additional year. Under the terms of the amended lease, minimum rent payments are as follows:

| Year or Period Ending <u>December 31,</u> | Minimum Rent <u>Payments</u> |
|--|---------------------------------|
| 2011 | \$ 43,790 |
| 2012 | <u>3,649</u> |
| | <u>\$ 47,439</u> |

During the years ended December 31, 2010 and 2009, the Foundation incurred lease expense totaling \$43,790 under this lease agreement.

Note 7. CONDITIONAL PROMISES TO GIVE

During 2010, and under the terms of the agreement with HTS as discussed in Note 1., the Foundation made contributions to HTS aggregating \$1,733,500, which was comprised of \$600,000 for unrestricted purposes; \$1,108,400 restricted for CCH; and \$25,100 restricted for child placements. During 2009, the Foundation made contributions to HTS aggregating \$2,022,700, which was comprised of \$750,000 for unrestricted purposes; \$1,126,900 restricted for CCH; and \$145,800 for child placements.

CHINA CARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7. CONDITIONAL PROMISES TO GIVE (CONTINUED)

Future payments required under the HTS agreement, contingent to certain conditions, are as follows:

| | <u>Unrestricted</u> | Restricted for <u>CCH</u> | Restricted for <u>Child Placement</u> | <u>Total</u> |
|------|---------------------|------------------------------|--|--------------|
| 2011 | 600,000 | 1,129,600 | 0 | 1,729,600 |

The Foundation also entered into an agreement in June 2009 with New Hope Foundation Limited ("Hope"), a registered charitable institution with offices located in Hong Kong and Beijing, China, to assume temporary foster care responsibility of certain children from the Foundation's foster care homes. Under the terms of the agreement, the Foundation was to make payments to cover the estimated cost of basic care for the children over eighteen months, as well as payments for unrestricted purposes. In both 2010 and 2009, the Foundation granted to Hope \$100,500, comprised of \$80,400 restricted for foster care support and \$20,100 for unrestricted purposes. At December 31, 2010 there are no future payments required under the agreement.

Note 8. INDEMNIFICATIONS

In the normal course of business, the Foundation enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Foundation's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Foundation that have not yet occurred. The Foundation expects the risk of any future obligations under these indemnifications to be remote.

Note 9. SUBSEQUENT EVENTS

In 2011, the Foundation's Board of Directors has continued to study and evaluate strategic options consistent with optimizing and furthering its mission, including extending and expanding its arrangement with Half the Sky. Through the report date, the Foundation's Board of Directors has not approved any significant changes in the Foundation's operations or further agreements with Half the Sky.

Management has evaluated subsequent events through September 9, 2011, the date the financial statements were available to be issued and determined that there are no other subsequent events that require disclosure.