

Coté & Company, APC
Certified Public Accountants

HALF THE SKY FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2000

HALF THE SKY FOUNDATION

TABLE OF CONTENTS

DECEMBER 31, 2000

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION - CASII BASIS	2
STATEMENTS OF ACTIVITIES - CASH BASIS	3
STATEMENT OF FUNCTIONAL EXPENSES	4
NOTES TO FINANCIAL STATEMENTS	5 - 6

COTÉ & COMPANY, APC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Half the Sky Foundation
Berkeley, CA

We have audited the accompanying statement of financial position - cash basis of **HALF THE SKY FOUNDATION** (a non-profit organization) as of December 31, 2000 and the related statement of activities - cash basis for year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Half the Sky Foundation as of December 31, 2000, and the results of its operations for the year then ended, on the basis of accounting described in Note A.

Coté & Company, APC

Oakland, California
January 22, 2001

HALF THE SKY FOUNDATION

STATEMENT OF FINANCIAL POSITION - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2000

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CASH			
Checking	\$ 824	\$ -	\$ 824
Money Market	<u>115,476</u>	<u>-</u>	<u>115,476</u>
 TOTAL ASSETS	 <u>\$ 116,300</u>	 <u>\$ -</u>	 <u>\$ 116,300</u>

LIABILITIES AND NET ASSETS

NET ASSETS			
Unrestricted	\$ 116,300	\$ -	\$ 116,300
Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>
 Total net assets	 <u>116,300</u>	 <u>-</u>	 <u>116,300</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 116,300</u>	 <u>\$ -</u>	 <u>\$ 116,300</u>

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

HALF THE SKY FOUNDATION

STATEMENT OF ACTIVITIES - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions	\$ 203,702	\$ 20,000	\$ 223,702
Matching gifts	3,743	-	3,743
Sales			
Newsletter	30	-	30
Merchandise	49,437	-	49,437
Interest	2,461	-	2,461
Net assets released from restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total revenues	<u>\$ 279,373</u>	<u>\$ -</u>	<u>\$ 279,373</u>
EXPENSES			
Programs			
Little Sister program	143,809	-	143,809
Management and general	9,889	-	9,889
Fund raising	<u>25,891</u>	<u>-</u>	<u>25,891</u>
Total expenses	<u>179,589</u>	<u>-</u>	<u>179,589</u>
INCREASE IN NET ASSETS	99,784	-	99,784
NET ASSETS			
Beginning the year	<u>16,516</u>	<u>-</u>	<u>16,516</u>
End of year	<u>\$ 116,300</u>	<u>-</u>	<u>\$ 116,300</u>

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

HALF THE SKY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2000

	Little Sister Program	Total Programs	Management & General	Fund Raising	Total
Research	\$ -	\$ -	\$ 216	\$ -	\$ 216
Personnel - China	34,461	34,461	-	-	34,461
Teacher training	8,349	8,349	-	-	8,349
Professional fees	5,740	5,740	-	-	5,740
Equipment & construction materials	51,319	51,319	-	-	51,319
Printing & design	-	-	-	19,036	19,036
Supplies & materials	1,524	1,524	1,313	2,220	5,057
Postage and delivery	686	686	21	4,635	5,342
Bank fees	-	-	2,092	-	2,092
Travel	38,943	38,943	4,049	-	42,992
Meetings and ceremonies	-	-	763	-	763
Miscellaneous	2,787	2,787	1,435	-	4,222
Total expenses	\$ 143,809	\$ 143,809	\$ 9,889	\$ 25,891	\$ 179,589

The accompanying notes are an integral part of these financial statements

HALF THE SKY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Half the Sky Foundation ("the Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

Organization

The Organization was incorporated in November 1998, and the principal office for the transaction of its business is located in Berkeley, California.

The Organization's main objective is to enrich the lives and enhance the outcome for abandoned girls living in China's welfare institutions. In order to create on-site early childhood care and education for girls eighteen months to five years of age, programs are developed to provide essential financial support, materials and arrangement for certified childhood education teachers to train local teaching teams. Where needed, the Organization develops programs that employ local women to provide physical contact, nurture and stimulation for abandoned infants less than eighteen months of age.

Financial Statement Presentation

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 116 Accounting for Contributions Received and Contributions Made and No. 117 Financial Statements of Not-for-Profit Organizations. Under these provision, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Funds that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted - A donor-imposed restriction that permits the Organization to use or expense the donated assets as specified and is satisfied either by the passage of time or by actions of the Organization.

Permanently restricted - A donor-imposed restriction that stipulates that certain resources be maintained permanently but permits the Organization to use or expend part or all of the income derived from the donated assets.

HALF THE SKY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocations

The costs of providing program services of the Organization have been summarized on a functional basis. Certain costs, not directly attributable to a particular program, have been allocated among the program and support services based upon service statistics and estimates made by the Organization's management.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting. Consequently, certain revenues and expenses are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with generally accepted accounting principles.

NOTE B - MAJOR CUSTOMER AND CREDIT RISK CONCENTRATION

The Organization receives a majority of its funding from individual contributions.

NOTE C - TAX EXEMPT STATUS

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code. In addition, it is exempt under Section 23701d of the California Revenue and Taxation Code.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

There are no temporarily restricted net assets as of December 31, 2000.