

**NURU INTERNATIONAL
REPORT ON THE EXAMINATION
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2009**

NURU INTERNATIONAL
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NURU International

We have audited the accompanying statement of financial position of NURU International (a California not-for-profit organization) as of December 31, 2009 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of NURU International'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 above present fairly, in all material respects, the financial position of NURU International as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule, contained on page 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Knutte & Associates, P.C.

**NURU INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 162,242
Investments	18,599
Prepaid Expenses	26,492
Prepaid Supplies	8,189

TOTAL CURRENT ASSETS

215,522

FIXED ASSETS

Furniture and Equipment	52,230
Less -- Accumulated Depreciation	6,635

TOTAL FIXED ASSETS

45,595

OTHER ASSETS

Deposits	800
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TOTAL OTHER ASSETS

800

TOTAL ASSETS

\$ 261,917

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 10,131
Accrued Wages	5,460
Accrued Liabilities	48,045

TOTAL LIABILITIES

63,636

NET ASSETS

Unrestricted	173,281
Temporarily Restricted	25,000

TOTAL NET ASSETS

198,281

TOTAL LIABILITIES AND NET ASSETS

\$ 261,917

See Accompanying Notes To The Financial Statements.

**NURU INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Donations	\$ 594,943	\$ 19,202	\$ 0	\$ 614,145
Grants	368,950	39,750	0	408,700
In-Kind Donations	207,249	0	0	207,249
Special Events (Net of Direct Benefits to Donors of \$6,322)	51,133	20,000	0	71,133
Royalties	5,970	0	0	5,970
Fundraising (Net of Direct Benefits to Donors of \$3,139)	1,557	0	0	1,557
Unrealized Gain on Investments	884	0	0	884
Interest	5	0	0	5
Net Assets Released from Restrictions	56,833	(56,833)	0	0
TOTAL REVENUES	1,287,524	22,119	0	1,309,643
FUNCTIONAL EXPENSES				
Program Services:				
International Development	729,906	0	0	729,906
Awareness	365,416	0	0	365,416
Total Program Services	1,095,322	0	0	1,095,322
Management and General	153,645	0	0	153,645
Fundraising	147,338	0	0	147,338
TOTAL FUNCTIONAL EXPENSES	1,396,305	0	0	1,396,305
CHANGE IN NET ASSETS	(108,781)	22,119	0	(86,662)
NET ASSETS,				
BEGINNING OF YEAR	282,062	2,881	0	284,943
END OF YEAR	\$ 173,281	\$ 25,000	\$ 0	\$ 198,281

See Accompanying Notes To The Financial Statements.

**NURU INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Supporters and Other Sources	\$ 1,110,966
Interest Received	5
Paid to Suppliers and Employees	(1,212,708)
Interest Paid	0
Income Taxes Paid	0
	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(101,737)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment for the Purchase of Fixed Assets	(12,079)
	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(12,079)
	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(113,816)
CASH AND CASH EQUIVALENTS,	
BEGINNING OF YEAR	<hr/> 276,058
END OF YEAR	<hr/> \$ 162,242 <hr/>
NON-CASH INVESTING ACTIVITIES	
Donated Investments	\$ 17,715
Donated Fixed Assets	25,825
	<hr/>
TOTAL NON-CASH INVESTING ACTIVITIES	\$ 43,540 <hr/>

See Accompanying Notes To The Financial Statements.

**NURU INTERNATIONAL
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH USED IN OPERATING ACTIVITIES**

Change in Net Assets	<u>\$ (86,662)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:	
Donated Investments	(17,715)
Unrealized Gain on Investments	(884)
Donated Fixed Assets	(25,825)
Depreciation	5,619
Changes in Certain Assets and Liabilities:	
Prepaid Expenses	(9,875)
Prepaid Supplies	(8,189)
Deposits	(800)
Accounts Payable	(2,749)
Accrued Wages	4,501
Accrued Liabilities	<u>40,842</u>
Total Adjustments	<u>(15,075)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (101,737)</u></u>

See Accompanying Notes To The Financial Statements.

**NURU INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Nature of Activities

NURU International (the Organization) is a California not-for-profit organization that was incorporated in October 2007. The mission of the Organization is to alleviate human suffering and mobilize developed societies toward social action by attacking poverty through holistic community development. The Organization is committed to restoring hope and meaning to the lives of the poor and the oppressed by creating sustainable, measurable solutions that result in significant lasting changes in the most impoverished rural communities.

B) Method of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the 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. Expenses are recorded when incurred.

The Organization has adopted FASB *Accounting Standards Codification* (ASC) 958, *Not For Profit Entities*. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, the Organization 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. As permitted by the statement, the Organization does not use fund accounting.

C) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Investments - The Organization has adopted FASB *Accounting Standards Codification* (ASC) 958, *Not For Profit Entities*. Under ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized gains and losses are included in the change in net assets.

NURU INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Accounting Policies (Continued)

Fixed Assets - Property and equipment are recorded at cost when purchased, while donated fixed assets are recorded at their estimated fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the year ended December 31, 2009 is \$5,619.

Donated Services - Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the year ended December 31, 2009 donated professional services amount to \$117,490. This amount is reflected in in-kind donations revenue and is also allocated among the categories of functional expenses on the statement of activities. For the year ended December 31, 2009 the Organization received a significant amount of donated services from volunteers who assist with the operations. No amounts have been recognized in the accompanying statement of activities for these volunteer services because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been made on the financial statements. It is also classified as other than a private foundation. The Organization has no unrelated business income during the year ended December 31, 2009, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

In June 2006, the FASB issued Financial Interpretation 48, "Accounting for Uncertainty in Income Taxes" (FASB *Accounting Standard Codification* (ASC) 740, *Income Taxes*) which clarifies the accounting uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. Income tax positions must be a more likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization adopted ASC 740 for the year ended December 31, 2009. The adoption of ASC 740 had no impact on the Organization's financial position or results of operations.

NURU INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Accounting Policies (Continued)

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - IN-KIND DONATIONS

Donated Space - The Organization occupied free of charge office space in West Virginia. Accordingly, donated space has been recorded at an estimated fair value of \$38,400 for the year ended December 31, 2009. The amount is included in in-kind donations revenue and it is also allocated between the categories of functional expenses on the statement of activities.

For the year ended December 31, 2009, the Organization received the free rental of equipment used for a special event and valued in the amount of \$3,320. The amount is included in in-kind donations revenue and in fundraising expense on the statement of activities.

Donated Investments and Goods- Donated investments and goods are recorded at fair value on the date of donation.

For the year ended December 31, 2009, the Organization received 30 shares of stock valued in the amount of \$17,715. The amount is included in investments on the statement of financial position and in in-kind donations revenue on the statement of activities.

For the year ended December 31, 2009, the Organization received supplies and small equipment valued in the amount of \$4,499. The amount is included in in-kind donations revenue and it is also allocated between the categories of functional expenses on the statement of activities.

For the year ended December 31, 2009, the Organization received donated fixed assets valued at \$25,825. This amount is included in fixed assets on the statement of financial position and in in-kind donations revenue on the statement of activities.

NURU INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - INVESTMENTS IN SECURITIES

At December 31, 2009, investments are stated at fair value and consist of stocks, as follows:

	Balance at 12/31/09	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Cumulative Unrealized Gain
Stocks	\$ 18,599	\$ 18,599	\$ 17,715	\$ 884

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were used.

Level 1 Fair Value Measurements

The fair value of stocks are based on quoted market prices of the shares held by the Organization at year-end.

All investments & investment returns are unrestricted during the year ended December 31, 2009.

NOTE 4 - NET ASSET RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the year ended December 31, 2009:

Purpose Restrictions Accomplished:	
Water and Sanitation	\$ 20,000
Marketing Salaries	14,114
I am Nuru Campaign	10,000
Education Salaries	7,969
Opportunity Collaboration Event	4,750
Total Purpose Restrictions Released	<u>\$ 56,833</u>

NURU INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - NET ASSET RESTRICTIONS (CONTINUED)

Net assets are temporarily restricted for the following purpose at December 31, 2009:

Project Redwood (Water Catchment)	<u>\$ 25,000</u>
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NOTE 5 - LEASE COMMITMENT

The Organization leased office space in Menlo Park, California under a month-to-month operating lease, which expired on August 30, 2009. Starting September 1, 2009 the Organization leases office space in San Clemente, California under a month-to-month operating lease. Rent expense under these leases for the year ended December 31, 2009 is \$4,300.

NOTE 6 - RELATED PARTY TRANSACTIONS

In October, 2008 Nuru International Self Help Group was established as a separate not-for-profit Organization registered in the Republic of Kenya, which conducts agricultural, water and sanitation, health care, educational, and economic development projects in rural areas of this country. Nuru International Self Help Group was established with the intent of becoming a self-sustaining organization through revenues derived from its programs. Until such financial independence is achieved, Nuru International has assumed responsibility for financing Nuru International Self Help Group as needed via periodic grants. For the year ended December 31, 2009, the Organization was the primary grantor, shared resources, and collaborated on projects with Nuru International Self Help Group. The Organizations also share a common chief executive officer. For the year ended December 31, 2009 the Organization contributed directly, or incurred expenses on behalf of Nuru International Self Help Group totaling \$246,837.

NOTE 7 - PENSION PLAN

The Organization sponsors a defined contribution 401(k) plan. The Organization recorded matching contributions for the year ended December 31, 2009 totaling \$8,606.

During 2009, the Organization realized that the plan document contained clerical errors affecting the employer contribution. These errors resulted in the document requiring contributions which did not reflect the Organization's intent. As a result, the Organization has filed with the Internal Revenue Service under the Voluntary Correction Program (VCP), requesting to retroactively amend the plan as of January 1, 2009 to reflect the Organization's intent. As of July 16, 2010, a final ruling on this matter has not been received. Management believes that their filing has merit and will be approved. An additional liability of \$39,394 for 2009 would result in the event that the VCP filing is not approved.

**NURU INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 8 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2009, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is July 16, 2010, which is the date on which the financial statements were issued.

**NURU INTERNATIONAL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	PROGRAM SERVICES					
	International Development	Awareness	Subtotal	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES						
Accounting	\$ 0	\$ 0	\$ 0	\$ 687	\$ 0	\$ 687
Books, Subscriptions and References	98	832	930	1,028	344	2,302
Contractual Services	3,340	0	3,340	9,906	990	14,236
Depreciation	966	3,696	4,662	359	598	5,619
Equipment Rental and Maintenance	170	3,901	4,071	442	3,320	7,833
Events	0	0	0	0	571	571
Foundation Team Expenses	24,719	0	24,719	0	0	24,719
Health Insurance	19,176	14,348	33,524	6,261	4,834	44,619
Insurance-Other	1,603	637	2,240	16,038	163	18,441
Information Technology	589	7,295	7,884	0	13	7,897
Legal	0	0	0	16,127	0	16,127
Licenses and Fees	3,300	1,633	4,933	870	4,440	10,243
Media	686	5,255	5,941	0	0	5,941
Miscellaneous	0	0	0	66	2,500	2,566
Nuru Int'l Self Help Group Grant	242,383	0	242,383	4,454	0	246,837
Payroll Taxes	21,232	14,437	35,669	4,295	6,450	46,414
Pension	3,937	2,677	6,614	796	1,196	8,606
Postage	453	369	822	355	1,076	2,253
Printing and Copying	285	5,522	5,807	830	6,116	12,753
Professional Development	80	585	665	0	0	665
Rent	0	38,400	38,400	4,300	0	42,700
Salaries	334,020	227,118	561,138	67,564	101,465	730,167
Supplies	699	9,328	10,027	1,175	195	11,397
Telecommunications	2,182	2,666	4,848	1,118	938	6,904
Travel and Meetings	69,988	18,997	88,985	16,974	8,820	114,779
Website	0	7,720	7,720	0	3,309	11,029
TOTAL FUNCTIONAL EXPENSES	\$ 729,906	\$ 365,416	\$ 1,095,322	\$ 153,645	\$ 147,338	\$ 1,396,305