

**SHARING CONNECTIONS, INC.
REPORT ON THE EXAMINATION
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

SHARING CONNECTIONS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sharing Connections, Inc.

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Sharing Connections, Inc. (an Illinois not-for-profit organization) as of December 31, 2009 and 2008 and the related statements of support, revenue, and expenses - modified cash basis, the statements of functional expenses - modified cash basis, and the statements of cash flows for the years then ended. These financial statements are the responsibility of Sharing Connections, 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 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, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We did not observe the physical inventory at December 31, 2008, and we have not been able to otherwise satisfy ourselves as to quantities on hand at that date. We also did not observe the physical inventory at December 31, 2007, and we have not been able to otherwise satisfy ourselves as to quantities on hand at the beginning of 2008.

In our opinion, except for the effects of any adjustments that might have resulted had we been able to observe the physical inventory at December 31, 2008 and 2007, or to otherwise satisfy ourselves as to quantities at those dates, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Sharing Connections, Inc. as of December 31, 2009 and 2008 and its support, revenue, expenses, and cash flows for the years then ended, on the basis of accounting described in Note 1.

June 2, 2010

Knutte & Associates, P.C.

SHARING CONNECTIONS, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2009 AND 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash	\$ 416,582	\$ 475,405
Investments	0	4,121
Gift Cards	5,225	3,175
Donated Goods	92,037	113,608
	<u>513,844</u>	<u>596,309</u>
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Vehicles	43,730	43,730
Equipment	5,244	0
	<u>48,974</u>	<u>43,730</u>
Less - Accumulated Depreciation	13,326	7,245
	<u>35,648</u>	<u>36,485</u>
TOTAL FIXED ASSETS		
OTHER ASSETS		
Investments	97,130	0
	<u>97,130</u>	<u>0</u>
TOTAL OTHER ASSETS		
TOTAL ASSETS	<u>\$ 646,622</u>	<u>\$ 632,794</u>

LIABILITIES AND NET ASSETS

TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Unrestricted	533,310	543,688
Temporarily Restricted	113,312	89,106
	<u>646,622</u>	<u>632,794</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 646,622</u>	<u>\$ 632,794</u>

See the Accompanying Notes to the Financial Statements .

SHARING CONNECTIONS, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Special Events Revenue	\$ 118,561	\$ 0	\$ 0	\$ 118,561
Less: Cost of Direct Benefit to Donors	59,144	0	0	59,144
Net Special Events Revenue	59,417	0	0	59,417
Donated Goods	2,549,307	0	0	2,549,307
Contributions	237,056	50,450	0	287,506
Grants	40,425	104,000	0	144,425
Program Service Revenue	41,961	0	0	41,961
Interest	9,983	0	0	9,983
Net Assets Released From Restrictions	130,244	(130,244)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	3,068,393	24,206	0	3,092,599
FUNCTIONAL EXPENSES				
Program Services	2,895,995	0	0	2,895,995
Management and General	93,536	0	0	93,536
Fundraising	89,240	0	0	89,240
TOTAL FUNCTIONAL EXPENSES	3,078,771	0	0	3,078,771
CHANGE IN NET ASSETS	(10,378)	24,206	0	13,828
NET ASSETS,				
BEGINNING OF YEAR	543,688	89,106	0	632,794
END OF YEAR	\$ 533,310	\$ 113,312	\$ 0	\$ 646,622

See the Accompanying Notes to the Financial Statements .

SHARING CONNECTIONS, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Special Events Revenue	\$ 202,428	\$ 0	\$ 0	\$ 202,428
Less: Costs of Direct Benefits To Donors	111,167	0	0	111,167
Net Special Events Revenue	91,261	0	0	91,261
Donated Goods	3,520,829	0	0	3,520,829
Contributions	273,142	1,667	0	274,809
Grants	35,300	163,000	0	198,300
Program Service Revenue	38,515	0	0	38,515
Interest	7,326	0	0	7,326
Other Income	5,065	0	0	5,065
Net Assets Released From Restrictions	123,633	(123,633)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	4,095,071	41,034	0	4,136,105
FUNCTIONAL EXPENSES				
Program Services	3,901,256	0	0	3,901,256
Management and General	78,605	0	0	78,605
Fundraising	89,002	0	0	89,002
TOTAL FUNCTIONAL EXPENSES	4,068,863	0	0	4,068,863
CHANGE IN NET ASSETS	26,208	41,034	0	67,242
NET ASSETS,				
BEGINNING OF YEAR	517,480	48,072	0	565,552
END OF YEAR	\$ 543,688	\$ 89,106	\$ 0	\$ 632,794

See the Accompanying Notes to the Financial Statements .

**SHARING CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Conferences	\$ 150	\$ 47	\$ 59	\$ 256
Depreciation	5,353	608	120	6,081
Distributions of Goods	2,600,540	0	0	2,600,540
Employee Benefits	13,856	4,382	5,468	23,706
Gift Cards	1,235	0	0	1,235
Insurance	13,624	950	0	14,574
Management and Consulting	8,845	30,632	5,234	44,711
Miscellaneous	32	461	2,867	3,360
Occupancy	54,858	1,603	2,865	59,326
Payroll Taxes	11,279	3,567	4,451	19,297
Postage	1,811	453	2,264	4,528
Printing	2,597	649	3,246	6,492
Rentals and Maintenance	10,485	420	524	11,429
Salaries	153,717	48,616	60,656	262,989
Supplies	11,744	99	177	12,020
Telephone	2,330	737	920	3,987
Travel	987	312	389	1,688
Volunteer/Donor Recognition	2,552	0	0	2,552
TOTAL FUNCTIONAL EXPENSES	\$ 2,895,995	\$ 93,536	\$ 89,240	\$ 3,078,771

See the Accompanying Notes to the Financial Statements .

**SHARING CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Conferences	\$ 396	\$ 106	\$ 131	\$ 633
Depreciation	5,353	0	0	5,353
Distributions of Goods	3,570,556	0	0	3,570,556
Employee Benefits	17,184	4,613	5,696	27,493
Gift Cards	930	0	0	930
Insurance	9,929	2,138	1,466	13,533
Management and Consulting	2,924	12,909	2,017	17,850
Miscellaneous	91	246	6,711	7,048
Occupancy	57,179	1,378	2,464	61,021
Payroll Taxes	13,485	3,620	4,470	21,575
Postage	7,224	932	1,070	9,226
Printing	9,608	1,239	1,424	12,271
Rentals and Maintenance	12,088	937	1,157	14,182
Salaries	184,171	49,443	61,045	294,659
Supplies	4,942	112	200	5,254
Telephone	3,338	896	1,106	5,340
Travel	135	36	45	216
Volunteer/Donor Recognition	1,723	0	0	1,723
TOTAL FUNCTIONAL EXPENSES	\$ 3,901,256	\$ 78,605	\$ 89,002	\$ 4,068,863

See the Accompanying Notes to the Financial Statements .

**SHARING CONNECTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from the Public	\$ 535,490	\$ 650,571
Interest Received	9,983	7,326
Paid to Suppliers	(505,282)	(581,153)
Interest Paid	0	0
Income Taxes Paid	0	0
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,191	76,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	4,121	0
Payments for the Purchase of Investments	(97,891)	0
Payments for the Purchases of Property	(5,244)	0
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(99,014)	0
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(58,823)	76,744
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<hr/> 475,405	<hr/> 398,661
END OF YEAR	<hr/> \$ 416,582 <hr/>	<hr/> \$ 475,405 <hr/>
NON-CASH OPERATING ACTIVITY		
Receipt of Donated Goods	\$ 2,549,307	\$ 3,520,829
Distribution of Donated Goods	\$ (2,570,878)	\$ (3,531,063)

See the Accompanying Notes to the Financial Statements .

**SHARING CONNECTIONS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 13,828</u>	<u>\$ 67,242</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Amortization of Bond Premium	761	0
Depreciation	6,081	5,353
Donated Investments	0	(4,121)
Donated Gift Cards	(2,050)	(1,964)
Change in Certain Assets and Liabilities:		
Donated Goods	<u>21,571</u>	<u>10,234</u>
Total Adjustments	<u>26,363</u>	<u>9,502</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 40,191</u></u>	<u><u>\$ 76,744</u></u>

See the Accompanying Notes to the Financial Statements .

**SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sharing Connections, Inc. (the Organization) is an Illinois not-for-profit corporation that was established in October of 2000 as an organization providing programs and services to reclaim and distribute household and other necessary goods to the economically disadvantaged.

A) Method of Accounting

The Organization's accounts are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred. The modified cash basis includes donated goods inventory and fixed assets, as it does on the accrual basis.

The Organization has adopted FASB *Accounting Standards Codification* (ASC) 958, *Not For Profit Entities*. Under ASC 958, the Organization is required to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. ASC 958 also establishes standards for the financial statements of Not-for-Profit organizations and requires a statement of financial position, statement of activities, and a statement of cash flows. As permitted by the statement, the Organization does not use fund accounting.

B) 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 statements of assets, liabilities, and net assets - modified cash basis. 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.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

B) Accounting Policies (Continued)

Donated Goods - The Organization receives donated goods consisting of clothing, household items, and furniture, which it distributes to individuals and organizations. These items are recorded at their estimated fair value at the date of donation. During the years ended December 31, 2009 and 2008, the Organization received donated goods valued at \$2,549,307 and \$3,520,829, respectively, which are included in Donated Goods in the Statement of Support, Revenue and Expenses - Modified Cash Basis. During the year ended December 31, 2009 and 2008, the Organization distributed donated goods valued at \$2,570,878 and \$3,531,063, respectively, which are included in Distribution of Goods in the Statement of Functional Expenses - Modified Cash Basis. The Organization has \$92,037 and \$113,608 of donated goods on hand as of December 31, 2009 and 2008, respectively.

Fixed Assets - Property and equipment are recorded at cost, while donated fixed assets are recorded at fair market 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 property are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the years ended December 31, 2009 and 2008 amounted to \$6,081 and \$5,353, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Income Taxes - The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements. The Organization has no unrelated business income during the years ended December 31, 2009 and 2008, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2009

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

B) Accounting Policies (Continued)

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 fiscal year ended December 31, 2009. The adoption of ASC 740 had no impact on the Organization's financial position or results of operations.

NOTE 2 - INVESTMENTS

The Organization's investments in debt securities, which typically mature in over one year, are held to maturity and valued at amortized cost, which approximates fair value. The Organization's investments in marketable equity securities are held for an indefinite period and thus are classified as available for sale. Investments in securities are summarized as follows at December 31, 2009:

	Balance at December 31, 2009	Significant Other Observable Inputs (Level 2)	Cost
Held to Maturity			
Corporate Bonds	\$ 97,130	\$ 99,916	\$ 97,891

Investments in securities are summarized as follows at December 31, 2008:

	Balance at December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Unrealized Appreciation (Depreciation)
Available for Sale				
Corporate Stock	\$ 4,121	\$ 4,121	\$ 4,121	\$ 0

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - INVESTMENTS (CONTINUED)

FASB 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.

Level 1 Fair Value Measurement

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

Level 2 Fair Value Measurement

The fair value of corporate bonds is based on inputs other than quoted market prices that are observable for interest bearing bonds.

No Investment return was restricted during the years ended December 31, 2009 and 2008.

NOTE 3 - NET ASSET RESTRICTIONS

Temporarily restricted net assets are available for the following purposes at December 31, 2009 and 2008:

	2009	2008
Purchase of Beds for Distribution	\$ 37,650	\$ 38,377
Social Worker Salary	20,662	30,729
Staff Salary	0	20,000
Consultant Hire	5,000	0
Goods and Services for Clients	50,000	0
Total Temporarily Restricted Net Assets	<u>\$ 113,312</u>	<u>\$ 89,106</u>

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3 - NET ASSET RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended December 31, 2009 and 2008:

	2009	2008
Purpose Restriction Accomplished:		
Purchase of Beds for Distribution	\$ 25,177	\$ 32,876
Purchase of a Truck	0	2,845
Social Worker Salary	54,070	42,451
Staff Salary	45,000	45,000
Consultant Hire	5,000	0
Other	997	461
	<hr/>	<hr/>
Total Restrictions Released	<u>\$ 130,244</u>	<u>\$ 123,633</u>

NOTE 4 - DONATED MATERIALS, SERVICES AND SPACE

The Organization records donated materials used in operations at their estimated fair value at the date of donation. During the years ending December 31, 2009 and 2008, the Organization received donated materials valued at \$20,749 and \$46,294, respectively, which is included in contribution revenue and as a cost of direct benefit to donors as the donations were used at specific fundraising events.

Donated Services are recognized as in-kind 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. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements. For the years ending December 31, 2009 and 2008, the Organization recognized \$31,460 and \$13,181, respectively, in contributed accounting and other services. These amounts are included in the Statements of Support, Revenue and Expenses - Modified Cash Basis as contributions revenue. For the years ending December 31, 2009 and 2008, \$3,146 and \$1,318, respectively, is included in program services, \$25,168 and \$10,545, respectively, is included in management and general, and \$3,146 and \$1,318, respectively, is included in fundraising expense. These amounts are included in management and consulting expense in the Statements of Functional Expenses - Modified Cash Basis.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 - GIFT CARDS

The Organization receives donations of gift cards to various stores throughout the year. The gift cards are distributed through the Organization's normal operations. The value of the gift cards on hand at December 31, 2009 and 2008 is \$5,225 and \$3,175, respectively.

NOTE 6 - LEASE COMMITMENTS

The Organization leases office space under an operating lease that expires on May 31, 2012 and calls for monthly payments of \$2,985, increasing to \$4,500 on May 1, 2009 and to \$4,800 on June 1, 2011. The Organization leased additional storage space under an operating lease that expired on February 28, 2008 and called for monthly payments of \$1,500. After the lease expired, the Organization leased the space on a month-to-month basis with monthly payments of \$1,000 through September 2009. Rent expense for the years ended December 31, 2009 and 2008 is \$48,955 and \$49,320, respectively. Future minimum lease payments are as follows:

For the year ending December 31, 2010	\$	54,000
2011		56,100
2012		24,000
		<hr/>
	\$	134,100
		<hr/> <hr/>

NOTE 7 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2009, the date of the most recent statement of assets, liabilities, and net assets, have been evaluated for possible adjustment to the financial statements or disclosure is June 2, 2010, the date on which the financial statements were issued.