

ALTERNATIVE GIFT MARKETS, INC.
FINANCIAL STATEMENTS
June 30, 2010 and 2009
With Report of Independent Certified Public Accountants

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KIRKPATRICK, SPRECKER & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Alternative Gift Markets, Inc.

We have audited the accompanying statement of financial position of Alternative Gift Markets, Inc. as of June 30, 2010 and 2009, 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 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 Alternative Gift Markets, Inc. at June 30, 2010 and 2009, and 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.


KIRKPATRICK, SPRECKER & COMPANY, LLP

December 9, 2010

ALTERNATIVE GIFT MARKETS, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 105,113	\$ 143,412
Accounts receivable	7,889	2,807
Other current assets	4,307	2,412
Investments	127,245	129,547
Property and equipment - net of accumulated depreciation of \$39,332 (\$47,813 for 2009)	<u>158,879</u>	<u>157,642</u>
 Total assets	 <u>403,433</u>	 <u>435,820</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	235	6,799
Accrued payroll liabilities	3,859	1,505
Deferred revenue	138,800	122,300
Note payable	<u>-</u>	<u>4,819</u>
 Total liabilities	 <u>142,894</u>	 <u>135,423</u>
Net Assets		
Unrestricted		
Board designated	132,245	129,547
Other unrestricted	<u>100,273</u>	<u>161,153</u>
Total unrestricted	232,518	290,700
Temporarily restricted	<u>28,021</u>	<u>9,697</u>
 Total net assets	 <u>260,539</u>	 <u>300,397</u>
 Total liabilities and net assets	 <u>403,433</u>	 <u>435,820</u>

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

ALTERNATIVE GIFT MARKETS, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2010 and 2009

	2010			2009				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue								
Public support								
Contributions	\$ 111,381	\$ 797,117	\$ -	\$ 908,498	\$ 141,385	\$ 968,374	\$ -	\$ 1,109,759
In-kind donations and contributed services	3,493	-	-	3,493	60	-	-	60
Total public support	<u>114,874</u>	<u>797,117</u>	<u>-</u>	<u>911,991</u>	<u>141,445</u>	<u>968,374</u>	<u>-</u>	<u>1,109,819</u>
Revenue								
Catalog retainer fee revenue	122,300	-	-	122,300	115,501	-	-	115,501
Materials, postage and handling	18,437	-	-	18,437	15,956	-	-	15,956
Investment income (loss)	5,682	-	-	5,682	(43,022)	-	-	(43,022)
Other	5,214	-	-	5,214	1,777	-	-	1,777
Total revenue	<u>151,633</u>	<u>-</u>	<u>-</u>	<u>151,633</u>	<u>90,212</u>	<u>-</u>	<u>-</u>	<u>90,212</u>
Total public support and revenue	<u>266,507</u>	<u>797,117</u>	<u>-</u>	<u>1,063,624</u>	<u>231,657</u>	<u>968,374</u>	<u>-</u>	<u>1,200,031</u>
Net assets released from restrictions	778,793	(778,793)	-	-	967,314	(967,314)	-	-
Expenses								
Functional expenses								
Program services	1,009,631	-	-	1,009,631	1,193,566	-	-	1,193,566
Management and general	77,896	-	-	77,896	69,438	-	-	69,438
Fund-raising	15,955	-	-	15,955	14,275	-	-	14,275
Total expenses	<u>1,103,482</u>	<u>-</u>	<u>-</u>	<u>1,103,482</u>	<u>1,277,279</u>	<u>-</u>	<u>-</u>	<u>1,277,279</u>
Change in net assets	(58,182)	18,324	-	(39,858)	(78,308)	1,060	-	(77,248)
Net assets at beginning of year	<u>290,700</u>	<u>9,697</u>	<u>-</u>	<u>300,397</u>	<u>369,008</u>	<u>8,637</u>	<u>-</u>	<u>377,645</u>
Net assets at end of year	<u>232,518</u>	<u>28,021</u>	<u>-</u>	<u>260,539</u>	<u>290,700</u>	<u>9,697</u>	<u>-</u>	<u>300,397</u>

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

ALTERNATIVE GIFTS MARKETS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 87,204	\$ 43,006	\$ 2,166	\$ 132,376
Payroll taxes	9,046	4,461	225	13,732
Retirement	4,625	2,356	202	7,183
Employee benefits	3,748	2,578	44	6,370
Total salaries and related	<u>104,623</u>	<u>52,401</u>	<u>2,637</u>	<u>159,661</u>
Charitable donations	780,258	-	-	780,258
Printing	60,116	-	6,680	66,796
Shipping and postage	27,974	-	3,108	31,082
Telephone and internet	11,644	781	947	13,372
Professional services	425	11,985	-	12,410
Miscellaneous	2,959	2,874	30	5,863
Utilities	3,312	1,656	552	5,520
Bank and credit card fees	4,929	-	548	5,477
Repairs and maintenance	2,283	1,653	262	4,198
Insurance	-	3,135	272	3,407
Training and education	3,220	-	-	3,220
Office supplies	-	2,558	-	2,558
Advertising	1,862	-	207	2,069
Travel	697	186	46	929
Total expenses before depreciation	<u>1,004,302</u>	<u>77,229</u>	<u>15,289</u>	<u>1,096,820</u>
Depreciation	<u>5,329</u>	<u>667</u>	<u>666</u>	<u>6,662</u>
Total expenses	<u><u>1,009,631</u></u>	<u><u>77,896</u></u>	<u><u>15,955</u></u>	<u><u>1,103,482</u></u>

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

ALTERNATIVE GIFTS MARKETS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 73,634	\$ 44,588	\$ 1,333	\$ 119,555
Payroll taxes	6,695	4,054	121	10,870
Retirement	2,383	1,764	50	4,197
Employee benefits	<u>1,193</u>	<u>1,190</u>	<u>26</u>	<u>2,409</u>
Total salaries and related	83,905	51,596	1,530	137,031
Charitable donations	985,308	-	-	985,308
Printing	68,542	-	7,616	76,158
Shipping and postage	17,292	-	1,921	19,213
Professional services	3,621	5,820	-	9,441
Telephone and internet	7,761	805	504	9,070
Bank and credit card fees	7,220	-	802	8,022
Repairs and maintenance	3,280	2,252	405	5,937
Utilities	3,555	1,778	593	5,926
Miscellaneous	2,172	2,142	-	4,314
Travel	4,008	-	-	4,008
Insurance	2,130	592	237	2,959
Office supplies	-	2,451	-	2,451
Advertising	<u>769</u>	<u>-</u>	<u>-</u>	<u>769</u>
Total expenses before depreciation	1,189,563	67,436	13,608	1,270,607
Depreciation	<u>4,003</u>	<u>2,002</u>	<u>667</u>	<u>6,672</u>
Total expenses	<u><u>1,193,566</u></u>	<u><u>69,438</u></u>	<u><u>14,275</u></u>	<u><u>1,277,279</u></u>

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

ALTERNATIVE GIFT MARKETS, INC.
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ (39,858)	\$ (77,248)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,662	6,672
Loss on investments	6,287	58,597
(Increase) decrease in operating assets:		
Accounts receivable	(5,082)	(2,807)
Prepaid expenses	(1,872)	(2,362)
Deposits	(23)	1,407
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(4,210)	(11,896)
Deferred revenue	16,500	6,799
Net cash applied to operating activities	<u>(21,596)</u>	<u>(20,838)</u>
Cash flows from investing activities		
Purchases of investments	(167,195)	(238,761)
Maturities of CDARs	163,210	230,406
Purchase of equipment	(7,899)	(1,213)
Net cash applied to investing activities	<u>(11,884)</u>	<u>(9,568)</u>
Cash flows from financing activities		
Payments on note payable	(4,819)	(7,167)
Net cash applied to financing activities	<u>(4,819)</u>	<u>(7,167)</u>
Net decrease in cash	(38,299)	(37,573)
Cash at beginning of year	<u>143,412</u>	<u>180,985</u>
Cash at end of year	<u>105,113</u>	<u>143,412</u>

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

ALTERNATIVE GIFT MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

1. Summary of significant accounting policies

Nature and purpose of organization

Alternative Gift Markets, Inc. is a tax-exempt, non-profit organization which inspires support for humanitarian and environmental causes. Alternative Gift Markets, Inc. operates as a charitable organization, accomplishing its purpose by collecting donations from individuals and other not-for-profit organizations throughout the United States, which are used for global relief and development.

Sources of support and revenue were as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Donations and other public support	86%	92%
Catalog retainer fees	11%	10%
Other sources	2%	2%
Investment income	1%	(4)%

Basis of presentation and income recognition

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Temporarily restricted funds represent operating funds that have been restricted by the donor. Permanently restricted funds represent funds restricted by the donor requiring the perpetuity that the principal be invested and only the income be used for operations. There were no permanently restricted funds at June 30, 2010 or 2009.

The Organization reports gifts of 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 and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Gifts-in-kind are recorded at fair market value as of the date received.

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.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and all highly liquid debt instruments purchased with an initial maturity of three months or less. There were no cash equivalents at June 30, 2010 or 2009.

(continued)

ALTERNATIVE GIFT MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

1. Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable arise from miscellaneous charges. There is no interest charged on unpaid balances. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible based on management analysis of individual account balances, they will be charged to operations when that determination is made.

Investments

Investments are recorded at fair market value, and realized and unrealized gains and losses are reported in the statement of activities. Gains and losses on the sale of investments are recorded using the specific identification method. Funds not needed in current operations are maintained in investment accounts in order to generate interest income to help offset operating expenses.

Property and equipment and depreciation

Property and equipment are stated at cost at the date of acquisition or at fair market value in the case of donated property. The Organization capitalizes property and equipment with a purchase price or fair market value over \$300. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Buildings and improvements are depreciated over 5 to 39 years, and furniture and equipment over 5 to 7 years. The cost of maintenance and repairs is charged to expense as incurred.

Deferred revenue

The Organization collects deposits from the supported not-for-profit organizations in order to cover catalog printing costs for the next fiscal year's fund-raising activities. These deposits are recognized as revenue in the following fiscal year to which they relate.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general, and fund-raising activities that were benefited.

Income taxes

The Organization has received a determination letter from the Internal Revenue Service (IRS) that recognizes it as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The federal exemption from income tax is recognized by state authorities.

The Organization's federal Organization Exempt From Income Tax Returns (Form 990) for the years ended June 30, 2007, 2008 and 2009, are subject to examination by the IRS, generally for three years after they were filed.

ALTERNATIVE GIFT MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

2. Investments and Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2010 and 2009, are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2010</u>				
Mutual funds	\$ 127,245	\$ 127,245	\$ -	\$ -
<u>June 30, 2009</u>				
Mutual funds	\$ 129,547	\$ 129,547	\$ -	\$ -

All level 1 assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total interest and dividend income received from all sources	\$ 3,980	\$ 9,576
Net realized and unrealized gains (losses) on investments	2,379	(52,598)
Investment fees	(677)	-
Investment gain (loss) per Statement of Activities	5,682	(43,022)

3. Property and equipment

Property and equipment consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 8,595	\$ 8,595
Buildings and improvements	163,295	163,295
Furniture, fixtures and equipment	26,321	33,565
Total cost of property and equipment	198,211	205,455
Less accumulated depreciation	39,332	47,813
Property and equipment - net of accumulated depreciation	158,879	157,642

4. Note payable

Financing liabilities consist of the following at June 30, 2010 and 2009:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Note payable to a long time supporter, unsecured, due \$667 per month with 0% interest. The loan matured January 7, 2010.	\$ -	\$ 4,819

ALTERNATIVE GIFT MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

5. Board designated unrestricted net assets

The Board of Directors designated unrestricted net assets for the following purpose at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Operations and contingencies	\$ 132,245	\$ 129,457

6. Temporarily restricted net assets

Temporarily restricted net assets are designated for the following purposes at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Young Peace Builders	\$ 11,458	\$ 6,841
Pantry/Shelter	6,157	-
Emergency Disaster Relief	5,852	2,079
Projects	4,554	777
Total purpose restrictions	<u>28,021</u>	<u>9,697</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Releases during the years ended June 30, 2010 and 2009 included:

	<u>2010</u>	<u>2009</u>
<u>Purpose restrictions accomplished:</u>		
Projects	\$ 683,066	\$ 922,933
Emergency Disaster Relief	48,637	15,338
Pantry/Shelter	47,090	-
Where Needed Most	-	25,795
Young Peace Builders	-	3,248
Total purpose restrictions accomplished during the year	<u>778,793</u>	<u>967,314</u>

7. Endowment

Alternative Gift Markets, Inc. endowment was established by the Board of Directors for the purpose of supporting the operations and contingencies of the Organization. The endowment includes only funds designated by the Board of Directors to function as endowments and is reported as a component of unrestricted net assets in the accompanying financial statements.

Endowment net asset composition by type of fund as of June 30, 2010 and 2009:

	<u>Unrestricted</u>	
<u>Type of Endowment Fund</u>	<u>2010</u>	<u>2009</u>
Board designated endowment funds	\$ 132,245	\$ 129,547

(continued)

ALTERNATIVE GIFT MARKETS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

7. Endowment (continued)

Changes in endowment net assets for the years ended June 30, 2010 and 2009:

	Unrestricted	
	<u>2010</u>	<u>2009</u>
Endowment net assets, beginning of year	\$ 129,547	\$ 179,789
Investment income	9,662	8,354
Net depreciation in value	(6,287)	(58,596)
Fees	(677)	-
Endowment net assets, end of year	<u>132,245</u>	<u>129,547</u>

Return objectives

Alternative Gift Markets, Inc. has adopted investment and spending policies for its board designated endowment assets to support the operations of the Organization in general and to provide funds for contingencies. All endowment assets are board designated funds.

Investment strategies for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policies and the relationship with investment policies

The objective of the spending and investment strategies is to grow the aggregate portfolio value annually, as to off-set the effect of inflation. The Organization has established that spendable income from the endowment fund is at the sole discretion of the Board of Directors.

8. Retirement plan

The Organization has a defined contribution retirement plan for its employees. Under the plan, the Organization contributes up to 8% of the employees' wages to the plan. The Organization's contributions were \$7,183 and \$4,197 for the years ended June 30, 2010 and 2009, respectively.

9. Joint Costs

The Organization incurred joint costs for the printing costs of the "My Shopping List for the World" catalog. The Organization allocated joint costs as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Program expense	\$ 60,116	\$ 68,542
Fund-raising expense	6,680	7,616
Total allocated joint costs	<u>66,796</u>	<u>76,158</u>

10. Subsequent events

The Organization has evaluated subsequent events through December 9, 2010, the date which the financial statements were available to be issued.

11. Financial statement presentation

Certain amounts in the financial statements at June 30, 2009, which are presented for comparison, have been reclassified to conform to the presentation of the financial statements at June 30, 2010.