



Financial Statements and Report of Independent
Certified Public Accountants

PAN AFRICAN CHILDREN'S FUND

December 31, 2009 and 2008

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Report of Independent Certified Public Accountants

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We have audited the accompanying statements of financial position of Pan African Children's Fund (the "Entity") as of December 31, 2009 and 2008, 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 the Entity'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 as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Pan African Children's Fund as of December 31, 2009 and 2008, and the changes in its net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Los Angeles, California
February 8, 2011

Pan African Children's Fund
STATEMENTS OF FINANCIAL POSITION
December 31,

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 300,942	\$ 259,031
Investments	57,951	23,471
Due from related party	62,036	70,667
Prepaid expenses and other current assets	19,092	-
Donated inventory	38,300	96,280
Office equipment and website design costs, net	63,709	96,172
	\$ 542,030	\$ 545,621
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,236	\$ 92,373
	33,236	92,373
NET ASSETS		
Unrestricted	508,794	453,248
	508,794	453,248
Total net assets	508,794	453,248
Total liabilities and net assets	\$ 542,030	\$ 545,621

The accompanying notes are an integral part of these statements.

Pan African Children's Fund
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31,

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Direct public support	\$ 1,052,809	\$ -	\$ 1,052,809	\$ 774,633	\$ -	\$ 774,633
Other	98,100	-	98,100	50,975	-	50,975
Total support and revenue	1,150,909	-	1,150,909	825,608	-	825,608
Net assets released due to satisfaction of purpose restrictions	-	-	-	50,000	(50,000)	-
Total revenues and other support	1,150,909	-	1,150,909	875,608	(50,000)	825,608
Operating expenses						
Program services	938,823	-	938,823	818,703	-	818,703
Management and general	163,948	-	163,948	155,878	-	155,878
Fundraising	55,337	-	55,337	63,393	-	63,393
Total operating expenses	1,158,108	-	1,158,108	1,037,974	-	1,037,974
Expenses in excess of revenue	(7,199)	-	(7,199)	(162,366)	(50,000)	(212,366)
Other - Unrealized (loss) gain on investments	62,745	-	62,745	(31,002)	-	(31,002)
Changes in net assets	55,546	-	55,546	(193,368)	(50,000)	(243,368)
Net assets, beginning of year	453,248	-	453,248	646,616	50,000	696,616
Net assets, end of year	\$ 508,794	\$ -	\$ 508,794	\$ 453,248	\$ -	\$ 453,248

The accompanying notes are an integral part of these statements.

Pan African Children's Fund
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31,

	2009				2008			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donation and orphanage support	\$ 187,533	\$ -	\$ -	\$ 187,533	\$ 252,000	\$ -	\$ -	\$ 252,000
Salaries, payroll tax and employee benefits	167,444	92,808	21,948	282,200	173,069	49,804	22,393	245,266
Public education, marketing and advertising	5,227	437	688	6,352	12,941	-	3,443	16,384
Professional, temporary and contract services	93,299	26,350	10,192	129,841	92,566	25,366	23,305	141,237
Travel and transportation	54,463	6,078	465	61,006	140,523	8,575	1,492	150,590
Printing and postage	35,577	6,737	2,601	44,915	62,893	11,863	4,329	79,085
Supplies and materials	3,068	1,315	-	4,383	42,295	2,014	-	44,309
Utilities and insurance	6,466	5,669	2,155	14,290	-	13,079	-	13,079
Depreciation and amortization	23,744	2,226	6,493	32,463	19,614	1,511	5,281	26,406
Facility and security	27,731	9,243	9,243	46,217	-	17,112	-	17,112
Other	7,540	13,085	1,552	22,177	15,302	26,554	3,150	45,006
Subtotal	612,092	163,948	55,337	831,377	811,203	155,878	63,393	1,030,474
In-kind public education, marketing and advertising	326,731	-	-	326,731	7,500	-	-	7,500
TOTAL EXPENSES	\$ 938,823	\$ 163,948	\$ 55,337	\$ 1,158,108	\$ 818,703	\$ 155,878	\$ 63,393	\$ 1,037,974

The accompanying notes are an integral part of these statements.

Pan African Children's Fund

STATEMENTS OF CASH FLOWS

Year ended December 31,

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Changes in net assets	\$ 55,546	\$ (243,368)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	32,463	26,406
Unrealized loss (gain) on investments	(34,480)	31,002
Contributions restricted for the purchase of software	-	-
Changes in operating assets and liabilities		
Due from related party	8,631	34,961
Prepaid expenses and other current assets	(19,092)	6,500
Donated inventory	57,980	(96,280)
Accounts payable and accrued expenses	(59,137)	73,217
Net cash used in operating activities	<u>41,911</u>	<u>(167,562)</u>
Cash flows from investing activities		
Cash restricted for the purchase of software	-	-
Decrease in cash restricted for the purchase of software	-	50,000
Expenditures for website design	-	(70,344)
Net cash used in investing activities	<u>-</u>	<u>(20,344)</u>
Cash flows from financing activities		
Contributions restricted for the purchase of software	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	41,911	(187,906)
Cash and cash equivalents, beginning of year	<u>259,031</u>	<u>446,937</u>
Cash and cash equivalents, end of year	<u><u>\$ 300,942</u></u>	<u><u>\$ 259,031</u></u>

The accompanying notes are an integral part of these statements.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - ORGANIZATION

Pan African Children's Fund ("PACF") is incorporated under the laws of the State of California as a not-for-profit public benefit corporation in order to provide aid and assistance to African children who are AIDS orphaned or AIDS infected. PACF (also referred to as Save Africa's Children "SAC") was a program created by the West Angeles Church of God in Christ (the "Church") in 2001. On January 1, 2002, PACF became its own legal and separate entity. The Agency Agreement between the Church and PACF authorizes the Church to solicit funds from its members for the benefit of PACF.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The financial statements have been presented in accordance with the *Auditing and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants. The guide states that net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of PACF and all changes therein are classified and reported as follows:

"Unrestricted Net Assets" - the part of the net assets of PACF that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of PACF operations and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Temporarily restricted contributions for which the donor imposed restrictions have been met in the same reporting period are recorded as unrestricted support.

"Temporarily Restricted Net Assets" - the part of the net assets of PACF resulting from (a) contributions and other inflows of assets which use by PACF is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of PACF pursuant to those stipulations, and (b) reclassifications to (from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of PACF pursuant to those stipulations.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in checking and money-market accounts with original maturities of three months or less. Cash contributions with donor-imposed restrictions limiting its use for long-term purposes are presented separately from cash and cash equivalents. PACF maintains its cash with established financial institutions. At times, the cash balances exceed federally insured limits. PACF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents. The total amounts uninsured at December 31, 2009 and 2008 were \$0 and \$0, respectively.

3. Office Equipment and Website Design Costs

Office equipment and website design are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. PACF provides for depreciation of office equipment over an estimated useful life ranging from three to five years. Costs incurred in website design are accounted for under Emerging Issues Task Force 00-2, *Accounting for Web Site Development Costs*, whereby direct costs related to development and enhancement of internal use software is capitalized, and costs related to maintenance are expensed as incurred. These website development costs are amortized on a straight line basis over the estimated useful life of three years.

4. Income Taxes

Under applicable law and regulations, PACF has been determined to be exempt from Federal income and California franchise taxes under Internal Revenue Code Section 501(c)(3) and corresponding California provisions. In addition, management does not believe it has any income that would subject it to unrelated business income taxes.

5. Contributions, Grants and Donated Inventory

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized at the earlier of the date of receipt of funds or receipt of unconditional commitments from donors.

In 2009, PACF received donated goods including medical supplies, clothing, household goods, art work, and a variety of other items totaling \$326,731. These are valued at fair value when received and included in direct public support on the statements of activities and changes in net assets.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

7. Investments

In 2006, PACF received a non-cash donation in the form of a stock certificate worth \$10,546. The contribution revenue recognized was the fair market value of the stock when it was donated. The equity investments have readily determinable fair value which was \$57,951 and \$23,471 at December 31, 2009 and 2008, respectively. Unrealized gains or losses were reported in the statements of activities and changes in net assets as an increase or decrease in unrestricted net assets. PACF adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, on January 1, 2008. These investments are categorized as Level 1 investment under SFAS No. 157.

8. Advertising

PACF incurred \$6,652 and \$16,384 of advertising expenses for the years ended December 31, 2009 and 2008, respectively. Advertising costs are expensed as incurred.

NOTE C - OFFICE EQUIPMENT AND WEBSITE DESIGN COSTS

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 62,444	\$ 62,544
Website design costs	90,133	90,133
	<u>152,677</u>	<u>152,677</u>
Less accumulated depreciation	(88,968)	(56,505)
	<u>\$ 63,709</u>	<u>\$ 96,172</u>

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE D - OPERATING LEASE OBLIGATION

PACF entered into a certain non-cancelable operating lease agreement in 2009 to lease office equipment. Rent expense under this operating lease was \$3,732 for the year ended December 31, 2009. Future minimum lease payments for the operating lease, which expires in 2011, consist of the following:

<u>Years Ending December 31,</u>	
2010	\$ 3,732
2011	311
2012	
Total minimum lease payments	<u><u>\$ 4,032</u></u>

NOTE E - RELATED PARTY TRANSACTIONS

PACF entered into an Agency Agreement with the Church which authorizes the Church to solicit funds from its members for the benefit of PACF. In relation to such agreement, the Church incurred general and administrative costs on behalf of PACF. For the years ended December 31, 2009 and 2008, PACF paid \$36,000 to the Church representing reimbursements of general and administrative costs. The amount due from the Church at December 31, 2009 and 2008 was \$62,036 and \$70,667, respectively. Due from and to related party are presented as either an asset or liability in the statements of financial position. Amounts are non-interest bearing and due upon demand. Bishop Blake, Chief Executive Officer ("CEO") of PACF, is also the CEO of the Church.

In June 2009, PACF entered into a month-to-month rental agreement with West Angeles Community Development Corporation ("WACDC") for office space. The monthly rent is \$2,000 and the rental expense under this agreement was \$24,000 for the year ended December 31, 2009. Bishop Blake, CEO of PACF, is a director on the Board of WACDC.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE F - ALLOCATION OF JOINT COSTS

PACF has adopted the requirements of the AICPA's Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Include Fund Raising* ("SOP 98-2"). The joint costs of certain public outreach and educational materials that contain an appeal for funds are allocated between program, management and general and fundraising expenses. The total amount of joint costs allocated to program expenses was \$5,227 and \$12,941 for the years ended December 31, 2009 and 2008, respectively. The total amount of joint costs allocated to management and general expenses was \$437 and \$0 for the years ended December 31, 2009 and 2008, respectively. The total amount allocated to fundraising expenses was \$55,337 (including \$0 of in-kind contributions) and \$62,344 (including \$0 of in-kind contributions) for the years ended December 31, 2009 and 2008, respectively.