



Financial Statements and Report of Independent  
Certified Public Accountants

**PAN AFRICAN CHILDREN'S FUND**

December 31, 2008 and 2007

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Report of Independent Certified Public Accountants

Audit • Tax • Advisory

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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, 2008 and 2007, 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, 2008 and 2007, 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.

*Grant Thornton LLP*

Los Angeles, California  
November 9, 2009

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

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 259,031	\$ 446,937
Investments	23,471	54,473
Due from related party	70,667	105,628
Prepaid expenses and other current assets	-	6,500
Cash restricted for the purchase of software	-	50,000
Donated inventory	96,280	-
Office equipment and website design costs, net	96,172	52,234
Total assets	\$ 545,621	\$ 715,772
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 92,373	\$ 19,156
Total liabilities	92,373	19,156
<b>NET ASSETS</b>		
Restricted	-	50,000
Unrestricted	453,248	646,616
Total net assets	453,248	696,616
Total liabilities and net assets	\$ 545,621	\$ 715,772

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,

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Direct public support	\$ 774,633	\$ -	\$ 774,633	\$ 738,058	\$ 50,000	\$ 788,058
Other	50,975	-	50,975	57,256	-	57,256
Total support and revenue	825,608	-	825,608	795,314	50,000	845,314
Net assets released due to satisfaction of purpose restrictions	50,000	(50,000)	-	-	-	-
Total revenues and other support	875,608	(50,000)	825,608	795,314	50,000	845,314
Operating expenses						
Program services	818,703	-	818,703	841,976	-	841,976
Management and general	155,878	-	155,878	107,739	-	107,739
Fundraising	63,393	-	63,393	171,829	-	171,829
Total operating expenses	1,037,974	-	1,037,974	1,121,544	-	1,121,544
Expenses in excess of revenue	(162,366)	(50,000)	(212,366)	(326,230)	50,000	(276,230)
Other - Unrealized (loss) gain on investments	(31,002)	-	(31,002)	31,141	-	31,141
Changes in net assets	(193,368)	(50,000)	(243,368)	(295,089)	50,000	(245,089)
Net assets, beginning of year	646,616	50,000	696,616	941,705	-	941,705
Net assets, end of year	\$ 453,248	\$ -	\$ 453,248	\$ 646,616	\$ 50,000	\$ 696,616

The accompanying notes are an integral part of these statements.

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

	2008				2007			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donation and orphanage support	\$ 252,000	\$ -	\$ -	\$ 252,000	\$ 380,791	\$ -	\$ -	\$ 380,791
Salaries, payroll tax and employee benefits	173,069	49,804	22,393	245,266	160,038	43,941	39,638	243,617
Public education, marketing and advertising	12,941	-	3,443	16,384	23,668	-	51,105	74,773
Professional, temporary and contract services	92,566	25,366	23,305	141,237	89,495	22,687	13,224	125,406
Travel and transportation	140,523	8,575	1,492	150,590	137,147	7,972	1,392	146,511
Printing and postage	62,893	11,863	4,329	79,085	31,545	5,971	2,290	39,806
Supplies and materials	42,295	2,014	-	44,309	3,571	1,530	-	5,101
Utilities and insurance	-	13,079	-	13,079	-	10,800	-	10,800
Depreciation and amortization	19,614	1,511	5,281	26,406	8,225	324	2,137	10,686
Facility and security	-	17,112	-	17,112	-	1,507	-	1,507
Other	15,302	26,554	3,150	45,006	7,496	13,007	1,543	22,046
Subtotal	811,203	155,878	63,393	1,030,474	841,976	107,739	111,329	1,061,044
In-kind public education, marketing and advertising	7,500	-	-	7,500	-	-	60,500	60,500
<b>TOTAL EXPENSES</b>	<b>\$ 818,703</b>	<b>\$ 155,878</b>	<b>\$ 63,393</b>	<b>\$ 1,037,974</b>	<b>\$ 841,976</b>	<b>\$ 107,739</b>	<b>\$ 171,829</b>	<b>\$ 1,121,544</b>

The accompanying notes are an integral part of these statements.

Pan African Children's Fund  
STATEMENTS OF CASH FLOWS  
Year ended December 31,

	2008	2007
Cash flows from operating activities		
Changes in net assets	\$ (243,368)	\$ (245,089)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	26,406	10,686
Unrealized loss (gain) on investments	31,002	(31,141)
Contributions restricted for the purchase of software	-	(50,000)
Changes in operating assets and liabilities		
Due from related party	34,961	(104,632)
Prepaid expenses and other current assets	6,500	(4,306)
Donated inventory	(96,280)	-
Accounts payable and accrued expenses	73,217	(34,112)
Net cash used in operating activities	(167,562)	(458,594)
Cash flows from investing activities		
Cash restricted for the purchase of software	-	(50,000)
Decrease in cash restricted for the purchase of software	50,000	-
Expenditures for website design	(70,344)	(46,132)
Net cash used in investing activities	(20,344)	(96,132)
Cash flows from financing activities		
Contributions restricted for the purchase of software	-	50,000
Net cash provided by financing activities	-	50,000
Net decrease in cash and cash equivalents	(187,906)	(504,726)
Cash and cash equivalents, beginning of year	446,937	951,663
Cash and cash equivalents, end of year	\$ 259,031	\$ 446,937

The accompanying notes are an integral part of these statements.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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, 2008 and 2007

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, 2008 and 2007 were \$0 and \$314,656, 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 2008, PACF received donated goods including medical supplies, clothing, household goods and a variety of other items totaling \$141,377. 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, 2008 and 2007

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 \$23,471 and \$54,473 at December 31, 2008 and 2007, 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 \$16,384 and \$135,273 of advertising expenses for the years ended December 31, 2008 and 2007, respectively. Advertising costs are expensed as incurred. Included in the 2007 advertising expense were donated advertising radio spots whose fair market value were determined to be \$60,500 and were recognized as contribution revenue.

NOTE C - OFFICE EQUIPMENT AND WEBSITE DESIGN COSTS

	<u>2008</u>	<u>2007</u>
Office equipment	\$ 62,544	\$ 11,200
Website design costs	90,133	71,133
	<u>152,677</u>	<u>82,333</u>
Less accumulated depreciation	(56,505)	(30,099)
	<u>\$ 96,172</u>	<u>\$ 52,234</u>

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE D - OPERATING LEASE OBLIGATION

PACF entered into a certain non-cancelable operating lease agreement in 2008 to lease office equipment. Rent expense under this operating lease was \$3,110 for the year ended December 31, 2008. Future minimum lease payments for the operating lease, which expires in 2011, consist of the following:

<u>Years Ending December 31,</u>	
2009	\$ 3,732
2010	3,732
2011	311
Total minimum lease payments	<u>\$ 7,775</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, 2008 and 2007, PACF paid \$36,000 to the Church representing reimbursements of general and administrative costs. The amount due from the Church at December 31, 2008 and 2007 was \$70,667 and \$105,628, 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 2008, 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 \$14,000 for the year ended December 31, 2008. 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, 2008 and 2007

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 \$12,941 and \$23,688 for the years ended December 31, 2008 and 2007 respectively. The total amount of joint costs allocated to management and general expenses was \$0 and \$0 for the years ended December 31, 2008 and 2007, respectively. The total amount allocated to fundraising expenses was \$62,344 (including \$0 of in-kind contributions) and \$111,605 (including \$60,500 of in-kind contributions) for the years ended December 31, 2008 and 2007, respectively.