

Financial Statements and Report of  
Independent Certified Public Accountants

**PAN AFRICAN CHILDREN'S FUND**

December 31, 2006 and 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Pan African Children's Fund

We have audited the accompanying statements of financial position of Pan African Children's Fund (the "Entity") as of December 31, 2006 and 2005, 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, 2006 and 2005, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Los Angeles, California  
November 29, 2007

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

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 951,663	\$ 362,103
Investments	23,331	19,770
Due from related party	996	-
Prepaid expenses and other current assets	2,194	-
Office equipment and website design costs, net	16,789	25,929
Total assets	\$ 994,973	\$ 407,802
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 53,268	\$ 40,301
Due to related party	-	42,261
Total liabilities	53,268	82,562
NET ASSETS		
Unrestricted	941,705	325,240
Total liabilities and net assets	\$ 994,973	\$ 407,802

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,

	2006	2005
Support and revenue		
Direct public support	\$ 1,994,120	\$ 1,002,145
Other	37,145	26,796
Total support and revenue	2,031,265	1,028,941
Operating expenses		
Program services	1,177,299	938,150
Management and general	165,598	220,976
Fundraising	75,464	95,155
Total operating expenses	1,418,361	1,254,281
Excess (deficit) of support and revenue over expenses	612,904	(225,340)
Other - Unrealized gain on investments	3,561	9,224
Change in net assets	616,465	(216,116)
Unrestricted net assets, beginning of year	325,240	541,356
Unrestricted net assets, end of year	\$ 941,705	\$ 325,240

The accompanying notes are an integral part of these statements.

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

	2006				2005			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donation and orphanage support	\$ 825,750	\$ -	\$ -	\$ 825,750	\$ 487,979	\$ -	\$ -	\$ 487,979
Salaries, payroll tax and employee benefits	140,836	42,292	52,068	235,196	163,041	53,545	61,514	278,100
Public education, marketing and advertising	22,678	3,788	4,002	30,468	119,936	19,620	21,165	160,721
Professional, temporary and contract services	25,712	70,339	6,428	102,479	22,837	105,568	5,709	134,114
Travel and transportation	107,167	14,799	1,103	123,069	108,163	7,987	1,133	117,283
Printing and postage	31,091	3,412	7,427	41,930	18,501	1,453	4,091	24,045
Supplies and materials	4,320	1,852	-	6,172	10,361	4,440	-	14,801
Utilities and insurance	-	7,602	-	7,602	-	4,875	-	4,875
Depreciation and amortization	8,155	301	2,114	10,570	5,080	112	1,298	6,490
Facility and security	-	835	-	835	-	3,020	-	3,020
Other	11,590	20,378	2,322	34,290	2,252	20,356	245	22,853
<b>TOTAL EXPENSES</b>	<b>\$ 1,177,299</b>	<b>\$ 165,598</b>	<b>\$ 75,464</b>	<b>\$ 1,418,361</b>	<b>\$ 938,150</b>	<b>\$ 220,976</b>	<b>\$ 95,155</b>	<b>\$ 1,254,281</b>

The accompanying notes are an integral part of these statements.

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

	2006	2005
Cash flows from operating activities		
Change in net assets	\$ 616,465	\$ (216,116)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	10,570	6,491
Unrealized gain on investments	(3,561)	(9,224)
Donated shares of stock	-	(10,546)
Changes in operating assets and liabilities		
Due from related party	(23,747)	-
Prepaid expenses and other current assets	(2,194)	544
Accounts payable and accrued expenses	35,719	(18,868)
Due to related party	(42,261)	42,261
	590,991	(205,458)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of equipment	(1,431)	-
Expenditures for website design	-	(28,231)
	(1,431)	(28,231)
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	589,560	(233,689)
Cash and cash equivalents, beginning of year	362,103	595,792
Cash and cash equivalents, end of year	\$ 951,663	\$ 362,103

The accompanying notes are an integral part of these statements.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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:

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 Unrestricted.

Net Assets

Unrestricted Net Assets is 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 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. At December 31, 2006 and 2005, there were no temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consists of amounts held in checking and money-market accounts with original maturities of three months or less. 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. Total amount uninsured at June 30, 2006 and 2005 were \$844,501 and \$187,141, respectively.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Income Taxes

Under applicable law and regulations, the Corporation has been determined to be exempt from Federal 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.

Contributions and Grants

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. One contribution in the form of a grant was restricted in 2005 and PACF received several restricted contributions totaling \$78,285 during 2006. All restrictions imposed by donors have been met in the same reporting period when contributions were received, thus the restricted contributions were recorded as unrestricted revenue in the statements of activities and changes in net assets and there were no restricted net assets at December 31, 2006 and 2005.

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.

Pan African Children's Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

In 2005, 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 \$23,331 and \$19,770 at December 31, 2006 and 2005, respectively. Unrealized gains were reported in the statements of activities and changes in net assets as increases in unrestricted net assets.

Reclassification

Certain reclassifications have been made to the 2005 financial statements in order to conform to the 2006 financial statement presentation.

NOTE C - OFFICE EQUIPMENT AND WEBSITE DESIGN COSTS

	<u>2006</u>	<u>2005</u>
Office Equipment	\$ 10,069	\$ 8,993
Website Design Costs	<u>26,133</u>	<u>26,133</u>
	36,202	35,126
Less Accumulated Depreciation	<u>(19,413)</u>	<u>(9,197)</u>
	<u>\$ 16,789</u>	<u>\$ 25,929</u>

NOTE D - 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. The amount due from the Church at December 31, 2006 was \$996. As of the December 31, 2005 the outstanding balance due to the Church representing reimbursements of general and administrative costs was \$42,261. Due from and to related party are presented as either an asset or liability in the statements of financial position. Amounts are noninterest bearing and due upon demand.