

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

INDEPENDENT AUDITORS' REPORT

December 31, 2008

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

December 31, 2008

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BALSER, HOROWITZ, FRANK & WAKELING

AN ACCOUNTANCY CORPORATION

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Royal Family Kids' Camp, Inc.,
For the Children Foundation, and
Royal Friends' Clubs, Inc.

We have audited the accompanying combined statement of financial position of Royal Family Kids' Camp, Inc., For the Children Foundation, and Royal Friends' Clubs, Inc. as of December 31, 2008, and the related combined statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Royal Family Kids' Camp, Inc., For the Children Foundation, and Royal Friends' Clubs, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Balser, Horowitz, Frank & Wakeling

BALSER, HOROWITZ, FRANK, & WAKELING
Santa Ana, California
October 6, 2009

1551 N. TUSTIN AVE., SUITE 1010, SANTA ANA, CALIFORNIA 92705
TELEPHONE (714) 543-1035 • FAX (714) 543-1567

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2008

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Assets				
Cash and cash equivalents	\$ 240,019	\$ 13,224	\$ 5,963	\$ 259,206
Accounts receivable, net	33,148	1,650	7,081	41,879
Investments	-	602,800	-	602,800
Inventory	168,390	-	327	168,717
Prepaid expenses	3,405	-	-	3,405
Property and equipment, net	22,488	-	-	22,488
	<u>467,450</u>	<u>617,674</u>	<u>13,371</u>	<u>1,098,495</u>
Total assets	<u>\$ 467,450</u>	<u>\$ 617,674</u>	<u>\$ 13,371</u>	<u>\$ 1,098,495</u>
Liabilities				
Accounts payable	\$ 49,439	\$ 5,041	\$ 1,397	\$ 55,877
Accrued vacation	29,198	-	-	29,198
Payroll tax payable	11,245	-	2,412	13,657
Sales tax payable	188	-	547	735
	<u>90,070</u>	<u>5,041</u>	<u>4,356</u>	<u>99,467</u>
Total liabilities	<u>90,070</u>	<u>5,041</u>	<u>4,356</u>	<u>99,467</u>
Net assets				
Unrestricted	205,630	612,633	9,015	827,278
Temporarily restricted	171,750	-	-	171,750
	<u>377,380</u>	<u>612,633</u>	<u>9,015</u>	<u>999,028</u>
Total net assets	<u>377,380</u>	<u>612,633</u>	<u>9,015</u>	<u>999,028</u>
Total liabilities and net assets	<u>\$ 467,450</u>	<u>\$ 617,674</u>	<u>\$ 13,371</u>	<u>\$ 1,098,495</u>

See accompanying notes and independent auditors' report

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Unrestricted net assets				
Support and revenues				
Contributions	\$ 961,767	\$ 44,513	\$ 14,730	\$ 1,021,010
Grants to/from affiliates	536,776	(682,328)	145,552	-
Banquet	116,938	-	-	116,938
Appeal letters	119,267	-	-	119,267
Merchandise sales	568,649	-	16,011	584,660
Interest income	1,377	130	-	1,507
Other income	86,906	272	24	87,202
Investment income	-	25,219	-	25,219
Realized loss on investments	-	(41,713)	-	(41,713)
Unrealized loss on investments	-	(450,518)	-	(450,518)
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	2,391,680	(1,104,425)	176,317	1,463,572
Net assets released from purpose restrictions	<hr/> 61,340	<hr/> -	<hr/> -	<hr/> 61,340
	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted support, revenues and reclassifications	2,453,020	(1,104,425)	176,317	1,524,912
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes and independent auditors' report

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Expenses				
Program services	2,090,247	7,296	145,717	2,243,260
Supporting services				
General and administrative	272,270	475	18,707	291,452
Fund raising	84,756	172,426	2,878	260,060
	<u>2,447,273</u>	<u>180,197</u>	<u>167,302</u>	<u>2,794,772</u>
Total expenses				
Change in unrestricted net assets	5,747	(1,284,622)	9,015	(1,269,860)
Temporarily restricted net assets				
Contributions	45,675	-	-	45,675
Net assets released from purpose restrictions	(61,340)	-	-	(61,340)
	<u>(15,665)</u>	<u>-</u>	<u>-</u>	<u>(15,665)</u>
Change in temporarily restricted net assets				
Change in net assets	(9,918)	(1,284,622)	9,015	(1,285,525)
Net assets, beginning of year	<u>387,298</u>	<u>1,897,255</u>	<u>-</u>	<u>(2,284,553)</u>
Net assets, end of year	<u>\$ 377,380</u>	<u>\$ 612,633</u>	<u>\$ 9,015</u>	<u>\$ 999,028</u>

See accompanying notes and independent auditors' report

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

COMBINED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

Cash flows from operating activities	
Change in net assets	\$ (1,285,525)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	12,111
Realized loss on investments	41,713
Unrealized loss on investments	450,518
Changes in:	
Accounts receivable	(34,009)
Inventory	(9,433)
Prepaid expenses	(2,575)
Accounts payable	2,335
Payroll tax payable	3,882
Accrued vacation	17,127
Sales tax payable	615
	<hr/>
Net cash flows from operating activities	(803,241)
Cash flows from investing activities	
Purchase of investments	(6,259)
Sale of investments	780,806
	<hr/>
Net cash flows from investing activities	774,547
Net change in cash and cash equivalents	(28,694)
Cash and cash equivalents, beginning of year	<hr/> 287,900
Cash and cash equivalents, end of year	<hr/> <u>\$ 259,206</u>

There were no financing activities for the year ended December 31, 2008.

See accompanying notes and independent auditors' report

**ROYAL FAMILY KIDS' CAMP, INC.,
FOR THE CHILDREN FOUNDATION, AND
ROYAL FRIENDS' CLUBS, INC.**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of significant accounting policies

Nature of activities

The accompanying combined financial statements represent the operations of three affiliated organizations. These organizations are related by common board of directors membership and by financial relationships that require a combination of the entities into one set of financial statements. All references to the Organization in these financial statements include all three entities where appropriate. All significant inter-organizational balances and transactions have been eliminated.

Royal Family Kids' Camp, Inc. (RFKC) is a national overseer and coordinator of summer camps for abused and neglected children, age 7 to 11. The children are selected for participation by local social service agencies. The camps are financed and operated by individual churches, without charge to the children or the social service agencies. RFKC was incorporated in 1989 as a California non-profit corporation.

RFKC carries out its exempt functions by providing support to these camps and initiating new camps. Support includes supplying standardized operating procedures, training camp directors, and developing and producing curriculum and promotional brochures. RFKC also provides items such as Royal Family T-shirts, Bibles, and other materials for campers. In the 2008 summer season, the Organization supported the operation of 164 camps in 37 states and 9 foreign countries that served approximately 6,600 children. The camps had combined annual budgets of approximately \$4.2 million. In addition, over 8,100 volunteers donated in excess of 1,200,000 hours which management estimated could be valued at approximately \$23 million using the IRS volunteer service rates.

For the Children Foundation (FCF) was incorporated on May 25, 2005, as a California nonprofit public benefit corporation and is exempt from income taxes under 501(c)(3) of the Internal Revenue Code. FCF's exclusive purpose is to support RFKC by seeking grants, contributions, bequests and other income and applying those resources for the benefit of RFKC.

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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of significant accounting policies (continued)

Nature of activities (continued)

Royal Friends' Clubs (RFC) is organized under the Nonprofit Public Benefit Corporations laws of the State of California. RFC was created to initiate and support programs that provide four hour per month, one-on-one mentoring, plus monthly Club meetings and group outings throughout the school year, for children who participate in Royal Family Kids' Camps. Seven pilot Clubs were initiated in six states during 2008, involving about 100 children and 100 trained and cleared mentors, plus additional support volunteers. The Clubs are operated by churches that also conduct Royal Family Kids' Camps. RFC supports the Clubs with standardized operating procedures, Club Director training, a nine-month cycle of curriculum, mentor support, and promotional materials. RFC was incorporated on February 26, 2008, and is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Cash and cash equivalents

Cash and cash equivalents includes all monies in banks and highly liquid investments with maturity dates of three months or less.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Any allowance for doubtful accounts would be immaterial to the financial statements and is, therefore, not recorded.

Inventory

Inventory consists of camp related promotional items and various camp memorabilia. The inventory is stated at the lower of cost or market.

Property and equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment is stated at cost or estimated fair value at date of receipt if donated. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense for the year ended December 31, 2008, was \$12,111.

**ROYAL FAMILY KIDS' CAMP, INC.,
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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of significant accounting policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a 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 statements of activities as net assets released from restrictions. At December 31, 2008, there were no contributions classified as permanently restricted.

Shipping and handling costs

Freight billed to customers is considered sales revenue and the related freight costs as a cost of sales.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Concentrations of credit risk

All of the Organization's cash is held in three financial institutions. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances in these accounts may, at times, exceed federally insured limits. Management does not believe that it is exposed to significant credit risk in connection with cash and cash equivalents.

Financial statement estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**ROYAL FAMILY KIDS' CAMP, INC.,
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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Summary of significant accounting policies (continued)

Income taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code Section 501(c) (3). The Organization is subject, however, to Federal and California income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the year ended December 31, 2008, the Organization had no activities substantially unrelated to its exempt purpose, and therefore incurred no tax liability due to unrelated business income.

Donated assets and services

Donated assets and other non-monetary items are reflected as contributions in the accompanying statements at their estimated fair market values as of the date of receipt. For the year ended December 31, 2008, the Organization received the use of storage facilities and a membership valued at \$18,000 and donated assets totaling \$12,000. These amounts are included in contributions on the statement of activities.

RFKC operates with the help of many volunteers both within RFKC itself and with the camps Organization supports. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

Investments in marketable securities

Investments in marketable securities with readily determinable fair values are carried at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statement of activities.

Note 2 – Investments

A summary of investments as of December 31, 2008, follows:

	<u>Cost</u>	<u>Fair value</u>
Mutual funds	\$ 115,222	\$ 69,280
Common stock	<u>938,094</u>	<u>533,520</u>
Total investments	<u>\$ 1,053,316</u>	<u>\$ 602,800</u>

**ROYAL FAMILY KIDS' CAMP, INC.,
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NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2008

Note 3 – Property and equipment

Property and equipment consists of the following:

Automobiles	\$ 16,829
Office equipment	119,961
Computer software	27,525
Office furnishings	51,096
Video master tapes	<u>29,362</u>
Property and equipment	244,773
Less: accumulated depreciation	<u>(222,285)</u>
Net property and equipment	<u>\$ 22,488</u>

Note 4 – Temporarily restricted net assets

Temporarily restricted net assets consists of the following:

New camp start-up	\$ 66,588
Endowment fund	<u>105,162</u>
Temporarily restricted net assets	<u>\$ 171,750</u>

Note 5 – Supplemental disclosures of cash flow information

There was no cash paid for interest or income taxes for the year ended December 31, 2008.