

CHERISH OUR CHILDREN INTERNATIONAL
(A TEXAS NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

GAINER DONNELLY & DESROCHES

CHERISH OUR CHILDREN INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cherish Our Children International
Houston, Texas

We have audited the accompanying statements of financial position of Cherish Our Children International (the Organization) as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, 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 audit 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 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 Cherish Our Children International as of June 30, 2009 and 2008, and the 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.

Gainer Donnelly & Desroches LLP

March 30, 2010

CHERISH OUR CHILDREN INTERNATIONAL
 (A TEXAS NOT-FOR-PROFIT CORPORATION)
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2009 AND 2008

	ASSETS	
	2009	2008
ASSETS:		
Cash and Cash Equivalents	\$ 34,646	\$ 38,913
Contributions Receivable	125,000	250,000
TOTAL ASSETS	\$ 159,646	\$ 288,913
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 20,250	\$ 10,966
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	39,396	27,947
Temporarily Restricted	100,000	250,000
Total Net Assets	139,396	277,947
TOTAL LIABILITIES AND NET ASSETS	\$ 159,646	\$ 288,913

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

CHERISH OUR CHILDREN INTERNATIONAL
 (A TEXAS NOT-FOR-PROFIT CORPORATION)
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
UNRESTRICTED NET ASSETS:		
REVENUES AND OTHER SUPPORT:		
Contributions	\$ 318,122	\$ 248,327
Fundraising Revenue	106,591	179,924
Interest Income	944	2,651
Net Assets Released From Restrictions - Program	150,000	165,000
Total Revenues and Other Support	575,657	595,902
EXPENSES:		
Program Costs	421,773	479,260
General Fundraising Expenses	11,489	4,698
General and Administrative Expenses		
Contract Labor	99,650	95,909
Accounting Fees	5,900	14,500
Database and Website	4,817	11,284
Professional Fees	247	3,520
Insurance	1,025	-
Meals and Entertainment	-	2,601
Telecommunications	410	1,966
Bank Fees	1,863	1,631
Other Expenses	7,982	1,337
Office Supplies	3,726	2,821
License Fee	5,326	696
Total General and Administrative Expenses	130,946	136,265
Total Expenses	564,208	620,223
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	11,449	(24,321)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	27,947	52,268
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 39,396	\$ 27,947
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	\$ -	\$ 410,000
Net Assets Released For Program Restrictions	(150,000)	(165,000)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(150,000)	245,000
TEMPORARILY RESTRICTED NET ASSETS, BEGINNING OF THE YEAR	250,000	5,000
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR	\$ 100,000	\$ 250,000

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

CHERISH OUR CHILDREN INTERNATIONAL
 (A TEXAS NOT-FOR-PROFIT CORPORATION)
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets:		
Unrestricted	\$ 11,449	\$ (24,321)
Temporarily Restricted	<u>(150,000)</u>	<u>245,000</u>
Change in Net Assets	(138,551)	220,679
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Changes in Operating Assets and Liabilities:		
Increase in Contributions Receivable	125,000	(250,000)
Increase in Accounts Payable	<u>9,284</u>	<u>4,863</u>
Net Cash Provided by (Used in) Operating Activities	<u>134,284</u>	<u>(245,137)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,267)	(24,458)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>38,913</u>	<u>63,371</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 34,646</u></u>	<u><u>\$ 38,913</u></u>

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

CHERISH OUR CHILDREN INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Cherish Our Children International (the Organization) is a nonprofit organization established in 1993. The Organization's mission is to develop and fund projects and programs that provide a brighter future for the world's most vulnerable children. The Organization develops and pilots local initiatives world-wide that serve children by promoting alternative care options to harmful institutional settings, providing training for professional care givers working with children at-risk in state-managed systems, and offering prevention and intervention services to women at risk of abandoning their children and children at risk of entering the institutional system. The Organization's programs include educational, recreational, nutritional and medical support activities in Serbia, Kenya, Romania, Israel, and the United States.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are the representations of management, who is responsible for their integrity and objectivity. These accounting policies reflect industry practices, which conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – These are net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – These are net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization, and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – These are net assets that are required to be maintained in perpetuity with only the income to be used for operating activities due to donor-imposed restrictions. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with initial maturities of three months or less at date of purchase to be cash equivalents.

Receivables

The Organization considers contribution receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made. Contribution receivables that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

CHERISH OUR CHILDREN INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in within 12 months of receipts are reported as unrestricted support and increase unrestricted net assets.

The Organization recognizes donated services at their fair market value in the period received if the services received create or enhance nonfinancial assets that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Fair Value Considerations

The Organization uses fair value to measure financial and certain nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs – Level 1) and the lowest priority to a reporting entity's internal assumptions based on the best information available when external market data is limited or unavailable (unobservable inputs – Level 3).

The fair value option allows entities to choose, at specified election dates, the measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's financial instruments (primarily cash and cash equivalents, receivables, and payables are carried in the financial statements at amounts that reasonably approximate fair value.

Income Taxes

No provision for Federal income taxes has been made in the financial statements. The Organization is a non-profit, charitable corporation as defined by Section 501(c) (3) of the Internal Revenue Code and, accordingly, is exempt from Federal income taxes.

In 2009, the Organization adopted a new accounting standard that clarifies the accounting for uncertainty in income taxes recognized for financial statement reporting purposes as applied to nonprofit organizations. Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in its combined financial statements. The Organization's evaluation was performed for the tax periods ended December 31, 2006 through December 31, 2009 for U.S. Federal tax years which principally remain subject to examination by major tax jurisdictions as of December 31, 2009.

CHERISH OUR CHILDREN INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the amounts of reported revenues and expenses and the allocation of expenses among various functions. Actual results could vary from the estimates that were used. Estimates that have the most impact on financial position and results of operations primarily relate to the collectibility of receivables and the allocation of expenses among functional areas. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were available for issuance on March 30, 2010. No matters were identified affecting the accompanying financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization is subject to concentration of credit risk relating primarily to contributions and receivables. For the year ended June 30, 2009, two donors represented approximately 34% of total contributions received. For the year ended June 30, 2008, two donors represented approximately 61% of total contributions received and 100% of the contribution receivable balance for both years.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2009 and 2008, temporarily restricted net assets totaling \$125,000 and \$250,000, respectively were available for the Organization's Hapoel Tel Aviv Education project.

During the years June 30, 2009 and 2008, temporarily restricted net assets in the amount of \$150,000 and \$165,000, respectively, were released from restrictions due to the satisfaction of purpose restrictions.