

Cherish Our Children International, Inc.

Audited Financial Statements

June 30, 2007

Cherish Our Children International, Inc.
Table of Contents
June 30, 2007

	<u>Page</u>
Independent Auditor's Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

We have audited the accompanying statement of financial position of Cherish Our Children International, Inc. (a Texas nonprofit corporation) as of June 30, 2007, and the related statements of activities and cash flows for the year 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 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 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 audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements do not include the operations of Cherish Our Children, Inc. in Belgrade, Serbia (Serbian Operations). In our opinion, generally accepted accounting principles require that the Serbian Operations be consolidated with the U. S. Operations.

In our opinion, except for the effects of not consolidating the Serbian Operations, the financial statements referred to above present fairly, in all material respects, the financial position of Cherish Our Children International, Inc. as of June 30, 2007, 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.

Tribolet Fuller & Company PLLC

Humble, Texas

March 31, 2008

Cherish Our Children International, Inc.
Statement of Financial Position
June 30, 2007

Assets	
Cash and cash equivalents	\$ 38,371
Marketable securities	25,000
Pledges receivable	<u>72,371</u>
 Total Assets	 <u><u>\$ 135,742</u></u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 6,103
 Net Assets	
Unrestricted	52,268
Temporarily restricted	<u>77,371</u>
Total net assets	<u>129,639</u>
Total liabilities and net assets	<u><u>\$ 135,742</u></u>

The accompanying notes are an integral part of this financial statement.

Cherish Our Children International, Inc.
Statement of Activities
Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Grant revenue	\$ 35,050	\$ 100,000	\$ 135,050
Contributions	104,375	-	104,375
Special event contributions	261,164	(7,024)	254,140
Interest and other income	4,461	-	4,461
Total revenues and other support	<u>405,050</u>	<u>92,976</u>	<u>498,026</u>
Expenses			
Program costs - Advocacy for Children			
Contributions to COCI Belgrade	52,821	-	52,821
Contributions to other children's advocacy groups	215,019	95,000	310,019
Grant and program administration	29,460	-	29,460
Total program costs	<u>297,300</u>	<u>95,000</u>	<u>392,300</u>
Costs of special event direct donor benefits	58,089	-	58,089
General and administrative expenses	52,605	-	52,605
General fundraising expenses	37,845	-	37,845
Total expenses	<u>445,839</u>	<u>95,000</u>	<u>540,839</u>
Change in net assets	(40,789)	(2,024)	(42,813)
Net assets at beginning of year	<u>93,057</u>	<u>79,395</u>	<u>172,452</u>
Net assets at end of year	<u>\$ 52,268</u>	<u>\$ 77,371</u>	<u>\$ 129,639</u>

The accompanying notes are an integral part of this financial statement.

Cherish Our Children International, Inc.
Statement of Cash Flows
Year Ended June 30, 2007

Cash flows from operating activities:	
Change in net assets	\$ (42,813)
Adjustments to reconcile decrease in net assets to net cash (provided) used by operating activities:	
Increase in marketable securities	(25,000)
Decrease in pledges receivable	7,024
Increase in accounts payable	<u>23</u>
 Net cash provided by operating activities	 <u>(60,766)</u>
Cash flows from investing activities:	
Retirement of office furniture	<u>(42)</u>
Cash flows from financing activities:	
None	<u>-</u>
 Net decrease in cash and cash equivalents	 (60,724)
 Cash and cash equivalents at beginning of year	 <u>99,095</u>
 Cash and cash equivalents at end of year	 <u><u>\$ 38,371</u></u>

The accompanying notes are an integral part of this financial statement.

Cherish Our Children International, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2007

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Cherish Our Children International, Inc. (COCI) is a nonprofit organization established in 1993. COCI's mission is to develop and fund projects and programs that provide a brighter future for the world's most vulnerable children. COCI 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. COCI's programs include educational, recreational, nutritional and medical support activities in Serbia, Kenya, Romania, Israel, Mexico and the United States.

Basis of Accounting

The organization maintains its accounting records on the cash basis of accounting whereby income is recognized when received and expenses are recognized when paid. These financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles whereby income is recognized when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market investment accounts. Funds invested in short term securities are considered marketable securities.

Concentrations of Credit Risk

At times COCI's cash balance in the bank may be in excess of the \$100,000 FDIC insurable limits. The organization only uses high-quality financial institutions with strong financial position and considers the chance of loss to be minimal. At June 30, 2007, the organization's cash balance was below the \$100,000 FDIC limit.

Cherish Our Children International, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2007

Income Taxes

The organization is a Texas nonprofit corporation whose revenue is derived from contributions and has qualified for tax exemption under section 501(c)(3) of the Internal Revenue Code and accordingly pays no federal income taxes.

Pledges Receivable

Pledge receivables are promises made by donors to contribute specified amounts over a period of time. They are recognized as income upon receipt of the pledge and recorded at net realizable value. The organization considers them to be fully collectible and they are expected to be realized in the fiscal years ending:

June 30, 2008	\$28,420
June 30, 2009	\$18,091
June 30, 2010	\$13,178
June 30, 2011	\$12,250
June 30, 2012	\$ 432

Note 2: Affiliated Organization

COCI has operations in Serbia which are conducted under the name Cherish Our Children, Inc. - Belgrade. Support is sent to the Belgrade organization which is then used to fund programs providing tutoring to children in Belgrade orphanages and to provide transportation to institutionalized and disabled children to educational, recreational and cultural activities. During the year ended June 30, 2007, funding to the Belgrade organization was \$52,821.

Note 3: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of pledged contributions which will be collected after June 30, 2007. At the time they are collected, they will be released to unrestricted net assets because they will then be available for use by the organization. Temporarily restricted net assets also consist of a grant received which was restricted by the donor for use for the Bridge to Peace program in Israel. Of the \$100,000 grant received, \$95,000 had been utilized at June 30, 2007.

Note 4: Commitments

The organization has no long-term commitments.